

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended OCTOBER 31, 2022

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**Commission file number: 1-8551**

**Hovnanian Enterprises, Inc.**

*(Exact Name of Registrant as Specified in Its Charter)*

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**22-1851059**

(I.R.S. Employer Identification No.)

**90 Matawan Road, Fifth Floor, Matawan, NJ**

(Address of Principal Executive Offices)

**07747**

(Zip Code)

**732-747-7800**

(Registrant's Telephone Number, Including Area Code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and nonvoting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity as of April 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter) was \$242,194,842.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 5,258,507 shares of Class A common stock and 705,705 shares of Class B common stock were outstanding as of December 13, 2022.

true

HOVNANIAN ENTERPRISES, INC.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III — Those portions of the registrant’s definitive proxy statement to be filed pursuant to Regulation 14A in connection with registrant’s annual meeting of stockholders to be held on March 28, 2023, which are responsive to those parts of Part III, Items 10, 11, 12, 13 and 14 as identified herein.

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## PART I

### ITEM 1 BUSINESS

#### Business Overview

Hovnanian Enterprises, Inc. ("HEI") conducts all of its homebuilding and financial services operations through its subsidiaries (references herein to the "Company," "we," "us" or "our" refer to HEI and its consolidated subsidiaries and should be understood to reflect the consolidated business of HEI's subsidiaries). Through its subsidiaries, HEI designs, constructs, markets, and sells single-family detached homes, attached townhomes and condominiums, urban infill, and active lifestyle homes in planned residential developments and is one of the nation's largest builders of residential homes. Founded in 1959 by Kevork Hovnanian, HEI was incorporated in New Jersey in 1967 and reincorporated in Delaware in 1983. Since the incorporation of HEI's predecessor company, the Company combined with its unconsolidated joint ventures have delivered in excess of 361,000 homes, including 6,090 homes in fiscal 2022. Historically, the Company had seven reportable segments consisting of six homebuilding segments (Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West) and its financial services segment. During the fourth quarter of fiscal 2022, we reevaluated our reportable segments as a result of changes in the business and our management thereof. In particular, we considered the fact that, since our segments were last established, the Company had exited the Minnesota, North Carolina and Tampa markets and is currently in the process of exiting the Chicago market. Applying the principles set forth under Accounting Standards Codification ("ASC") 280, "Segment Reporting" ("ASC 280"), including that our business trends are reflective of economic conditions in markets with general geographic proximity, we realigned our homebuilding operating segments and determined that, in addition to our financial services segment, we now have three reportable homebuilding segments comprised of (1) Northeast, (2) Southeast and (3) West. All prior period amounts related to the segment change have been retrospectively reclassified throughout this Annual Report on Form 10-K to conform to the new presentation.

Excluding unconsolidated joint ventures, we are currently offering homes for sale in 121 communities in 29 markets in 14 states throughout the United States. We market and build homes for first-time buyers, first-time and second-time move-up buyers, luxury buyers, active lifestyle buyers and empty nesters. We offer a variety of home styles at base prices ranging from \$156,000 to \$1,485,000 with an average sales price, including options, of \$513,000 nationwide in fiscal 2022.

Our operations span all significant aspects of the home-buying process – from design, construction, and sale, to mortgage origination and title services.

The following is a summary of our growth history:

1959 - Founded by Kevork Hovnanian as a New Jersey homebuilder.

1983 - Completed initial public offering.

1986 - Entered the North Carolina market through the investment in New Fortis Homes.

1992 - Entered the greater Washington, D.C. market.

1994 - Entered the Coastal Southern California market.

1998 - Expanded in the greater Washington, D.C. market through the acquisition of P.C. Homes.

1999 - Entered the Dallas, Texas market through our acquisition of Goodman Homes. Further diversified and strengthened our position as New Jersey's largest homebuilder through the acquisition of Matzel & Mumford.

2001 - Continued expansion in the greater Washington D.C. and North Carolina markets through the acquisition of Washington Homes. This acquisition further strengthened our operations in each of these markets.

2002 - Entered the Central Valley market in Northern California and Inland Empire region of Southern California through the acquisition of Forecast Homes.

2003 - Expanded operations in Texas and entered the Houston market through the acquisition of Parkside Homes and Brighton Homes. Entered the greater Ohio market through our acquisition of Summit Homes and entered the greater metro Phoenix market through our acquisition of Great Western Homes.

2004 - Entered the greater Tampa, Florida market through the acquisition of Windward Homes and started operations in the Minneapolis/St. Paul, Minnesota market.

2005 - Entered the Orlando, Florida market through our acquisition of Cambridge Homes and entered the greater Chicago, Illinois market and expanded our position in Florida and Minnesota through the acquisition of the operations of Town & Country Homes, which occurred concurrently with our entering into a joint venture with affiliates of Blackstone Real Estate Advisors to own and develop Town & Country Homes' existing residential communities. We also entered the Cleveland, Ohio market through the acquisition of Oster Homes.

2006 - Entered the coastal markets of South Carolina and Georgia through the acquisition of Craftbuilt Homes.

During fiscal 2016, we exited the Minneapolis, Minnesota and Raleigh, North Carolina markets and sold land portfolios in those markets. During fiscal 2018, we completed a wind down of our operations in the San Francisco Bay area in Northern California and in Tampa, Florida. During fiscal 2020, we began a wind down of our operations in the Chicago, Illinois market and expect to exit that market in the second quarter of fiscal 2023.

## Geographic Breakdown of Markets by Segment

The Company markets and builds homes that are constructed in 20 of the nation's top 50 housing markets. We segregate our homebuilding operations geographically into the following three segments:

Northeast: Delaware, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia

Southeast: Florida, Georgia and South Carolina

West: Arizona, California and Texas

For financial information about our segments, see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## Human Capital

As of October 31, 2022, we employed 1,866 full-time associates of whom 1,291 were involved in our homebuilding operations, 170 were involved in our financial services operations and 405 were involved in our corporate operations. We do not have collective bargaining agreements relating to any of our associates.

Successful execution of our strategy is dependent on attracting, developing and retaining key associates and members of our management team. The skills, experience and industry knowledge of our team significantly benefit our operations and performance. We continuously evaluate, modify, and enhance our internal processes and technologies to increase engagement, productivity, efficiency and the skills our associates need to be successful.

We believe that talented associates are the Company's greatest asset and play a key role in creating long-term value for our stakeholders. As of October 31, 2022, 18.5% of our associates had been with the Company for more than 15 years, and the average tenure of all associates was approximately seven years. We understand that our ultimate success and ability to compete are significantly dependent on how well we identify, hire, train, and retain highly qualified personnel. We realize that each associate has a unique vision and their own special talents. We are committed to being an employer that fosters the growth of each associate, while building an inclusive and diverse workforce.

In fiscal 2022, our Accelerated Leadership Development Program ("ALDP") graduated its second class following the initial success of the 2018 ALDP. The goal of this program is to identify and mentor leaders within, and identify talent outside, of the organization in order to drive growth and value creation, as well as considerations for succession planning. We actively seek to attract women and candidates of diverse backgrounds to the ALDP and we significantly increased the number of women and underrepresented groups with our second ALDP class.

We believe that our focus on diversity and inclusion across the organization positions the Company to deliver innovation and growth. We have a diverse associate base comprised of 26.2% non-white associates as of October 31, 2022. Additionally, as of October 31, 2022, 43.2% of our associates were women, and women represent 37.8% of all associates in manager and more senior positions.

Promoting a diverse and inclusive work environment is a major priority at Hovnanian. In 2020, the Company formed a Diversity & Inclusion Committee that continues to be an important initiative and which is led by the CEO and comprised of members of senior leadership and associates in various functions throughout the organization representing various backgrounds. The objective of the committee is to advise on and evaluate the Company's diversity and inclusion initiatives and to offer suggestions and guidance. The Diversity & Inclusion Committee meets quarterly. All associates are required to take a Diversity Made Simple training course. Associates in leadership positions (representing approximately 21.8% of all associates) are obligated to participate in more extensive diversity and inclusion training sessions.

The Company is also a founding member of the Building Talent Foundation whose mission is to advance the education, training and careers of people from underrepresented groups in the fields of skilled technical workers and as business owners in the residential construction industry. In fiscal 2022, we extended our partnership and financial commitment with the Building Talent Foundation for another three years.

Through a combination of competitive benefits and educational programs, we believe that we positively contribute to the well-being of our associates and the communities in which they live and work. Our benefits packages include medical, dental, and vision coverage, as well as health savings accounts, life insurance, disability income, 401(k) savings plan with a company match and other assistance and wellness programs. Together, these benefits help keep our associates and their dependents healthy, while giving them tax-advantaged ways to save for retirement and establish long-term financial security. This package of programs is routinely reevaluated in order to meet the changing needs of our associates in our diverse organization.

In light of the Company's experience managing the novel coronavirus ("COVID-19") pandemic and the recognition of the associated environmental benefits, the Company introduced a hybrid work schedule in fiscal 2021 and continued to implement it throughout fiscal 2022 whereby most office associates may work two days a week from home. We believe this change to a hybrid work model promotes a healthier work and home life balance for our associates while simultaneously providing the environmental benefits of having fewer vehicles on the road. In addition to the weekly hybrid schedule, associates can work remotely up to eight weeks a year.

We also have committed considerable resources to furthering our associates' personal and professional growth. We have a repository of over 400 training modules/courses to facilitate these learning sessions in both in-person and virtual settings, including mandatory diversity, ethics, sexual harassment and safety training courses.

## **Corporate Offices and Available Information**

Our corporate offices are located at 90 Matawan Road, Fifth Floor, Matawan, New Jersey 07747 (See Item 2 "Properties"). Our telephone number is 732-747-7800, and our Internet web site address is [www.khov.com](http://www.khov.com). Information available on or through our web site is not a part of this Form 10-K. We make available free of charge through our web site our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(d) or 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Copies of the Company's Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports are available free of charge upon request. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

## **Business Strategies**

We are currently focused on maintaining adequate liquidity and identifying investment opportunities that make economic sense in light of our current sales prices and sales paces. Our excess liquidity in fiscal years 2022 and 2021 allowed us to repurchase \$100.0 million and \$180.9 million in aggregate principal of senior secured notes, respectively. In response to changing market conditions, we will be strategic in new land purchases at pricing that we believe will generate appropriate investment returns needed to sustain profitability. We are also beginning to explore Build For Rent opportunities to supplement our existing business. The Build For Rent sales channel has the potential to add incremental sales volume and allow us to increase inventory turnover. In addition to our current focus on liquidity and flexibility, we intend to continue to focus on our historic key business strategies, as enumerated below. We believe that these strategies separate us from our competitors in the residential homebuilding industry and the adoption, implementation and adherence to these principles will continue to benefit our business.

Our goal is to become a significant builder in each of the selected markets in which we operate, which will enable us to achieve economies of scale and differentiate ourselves from most of our competitors.

As noted above, we offer a broad product array to provide housing to a wide range of customers. Our customers consist of first-time buyers, first-time and second-time move-up buyers, luxury buyers, active lifestyle buyers and empty nesters. Our diverse product array includes single-family detached homes, attached townhomes and condominiums, urban infill and active lifestyle homes.

We are committed to customer satisfaction and quality in the homes that we build. We recognize that our future success rests in the ability to deliver quality homes to satisfied customers. We seek to expand our commitment to customer service through a variety of quality initiatives. In addition, our focus remains on attracting and developing quality associates. See "Human Capital" above for further discussion.

We focus on achieving high returns on invested capital. Each new community is evaluated based on its ability to meet or exceed internal rate of return requirements. Our belief is that the best way to create lasting value for our shareholders is through a strong focus on return on invested capital.

We prefer to use a risk-averse land acquisition strategy. We attempt 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 approach significantly reduces our risk and generally allows us to obtain necessary development approvals before acquisition of the land.

Our strategy also includes homebuilding and land development joint ventures as a means of controlling lot positions, expanding our market opportunities, establishing strategic alliances, reducing our risk profile, leveraging our capital base and enhancing our returns on capital. Our homebuilding joint ventures are generally entered into with third-party investors to develop land and construct homes that are sold directly to home buyers. Our land development joint ventures include those with developers and other homebuilders, as well as financial investors to develop finished lots for sale to the joint venture's members or other third-parties.

We manage our financial services operations to better serve all of our home buyers. Our current mortgage financing and title service operations enhance our contact with customers and allow us to coordinate the home-buying experience from beginning to end.

## Operating Policies and Procedures

We attempt to reduce the effect of certain risks inherent in the housing industry through the following policies and procedures:

*Training* - Our training is designed to provide our associates with the knowledge, attitudes, skills and habits necessary to succeed in their jobs. Our training department regularly conducts in-person, online or webinar training in sales, construction, administration and managerial skills.

*Land Acquisition, Planning, and Development* - Before entering into a contract to acquire land, we complete extensive comparative studies and analyses which assist us in evaluating the economic feasibility of such land acquisition. We generally follow a policy of acquiring options to purchase land for future community developments.

- Where possible, we acquire land for future development through the use of land options, which need not be exercised before the completion of the regulatory approval process. We attempt to structure these options with flexible takedown schedules rather than with an obligation to take down the entire parcel upon receiving regulatory approval. If we are unable to negotiate flexible takedown schedules, we will buy parcels in a single bulk purchase. Additionally, we purchase improved lots in certain markets by acquiring a small number of improved lots with an option on additional lots. This allows us to minimize the economic costs and risks of carrying a large land inventory, while maintaining our ability to commence new developments during favorable market periods.
- Our option and purchase agreements are typically subject to numerous conditions, including, but not limited to, our ability to obtain necessary governmental approvals for the proposed community. Generally, the deposit on the agreement will be returned to us if all approvals are not obtained, although predevelopment costs may not be recoverable. By paying an additional nonrefundable deposit, we have the right to extend a significant number of our options for varying periods of time. In most instances, we have the right to cancel any of our land option agreements by forfeiture of our deposit on the agreement. In fiscal 2022, 2021 and 2020, rather than purchase additional lots in underperforming communities, we took advantage of this right and walked away from 5,121 lots, 3,201 lots and 3,900 lots, respectively, out of 27,617 total lots, 23,624 total lots and 20,204 total lots, respectively, under option, resulting in pretax charges of \$5.7 million, \$1.6 million and \$6.8 million, respectively.

*Design* - Our residential communities are generally located in urban and suburban areas easily accessible through public and personal transportation. Our communities are designed as neighborhoods that fit existing land characteristics. We strive to create diversity within the overall planned community by offering a mix of homes with differing architecture, textures and colors. Recreational amenities, such as swimming pools, tennis courts, clubhouses, open areas and tot lots, are frequently included.

*Construction* - We design and supervise the development and building of our communities. Our homes are constructed according to standardized prototypes, which are designed and engineered to provide innovative product design while attempting to minimize costs of construction. We generally employ 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. We rigorously control costs through the use of computerized monitoring systems.

Because of the risks involved in speculative building, our general policy is to construct an attached condominium or townhouse building only after signing contracts for the sale of at least 50% of the homes in that building. A majority of our single-family detached homes are constructed after the signing of a sales contract and mortgage approval has been obtained. This limits the buildup of inventory of unsold homes and the costs of maintaining and carrying that inventory.

*Materials and Subcontractors* - We attempt to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, we generally contract with subcontractors to construct our homes. We have reduced construction and administrative costs by consolidating the number of vendors serving certain markets and by executing national purchasing contracts with select vendors. Since the COVID-19 pandemic began, we have experienced construction delays due to shortages in the supply of materials, as well as labor shortages in all of our markets. The impact and the particular materials associated with the delays is varied from market to market and we are currently experiencing increased construction cycle times by 45-60 days in many of our markets, but such timeframes could be elongated. We cannot predict the extent to which shortages in necessary materials or labor will continue or re-occur in our markets in the future. However, as home sales slow nationally, we expect pressure to alleviate on material suppliers and subcontractors, which over time should, absent other factors, allow construction cycle times to revert back to historical norms.

*Marketing and Sales* - Our homes in residential communities are sold principally through on-site sales offices. In order to respond to our customers' needs and trends in housing design, we rely upon our internal market research group to analyze information gathered from, among other sources, buyer profiles, exit interviews at model sites, focus groups and demographic databases. We make use of our website, internet, newspaper, radio, television, magazine, billboard, video and direct mail advertising, special and promotional events, illustrated brochures and full-sized and scale model homes in our comprehensive marketing program. Recently, we have begun offering curated Looks packages for customers to select, rather than a large number of a la carte options. This approach provides customers with a more streamlined selection process and allows us to be more efficient in purchasing, sales and construction.

We have a national call center which is responsible for follow up generated by our web site and our digital marketing efforts. The call center supports our ability to swiftly respond to incoming customer leads, schedule and conduct virtual tours and video chats, as well as set up in person model home tours.

*Customer Service and Quality Control* - In many of our markets, associates are responsible for customer service and preclosing quality control inspections as well as responding to post-closing customer needs. Prior to closing, each home is inspected, and any necessary completion work is undertaken by us or our subcontractors. Our homes are enrolled in a standard limited warranty program which, in general, provides a homebuyer with a limited warranty for the home's materials and workmanship which follows each state's applicable statute of repose. All of the warranties contain standard exceptions, including, but not limited to, damage caused by the customer.

*Customer Financing* - We sell our homes to customers who generally finance their purchases through mortgages. Our financial services segment provides our customers with competitive financing and coordinates and expedites the loan origination transaction through the steps of loan application, loan approval, and closing and title services. We originate loans in each of the states in which we build homes. We believe that our ability to offer financing to customers on competitive terms as a part of the sales process is an important factor in completing sales.



During the year ended October 31, 2022, for the markets in which our mortgage subsidiaries originated loans, 10.5% of our home buyers paid in cash and 58.8% of our noncash home buyers obtained mortgages from our mortgage banking subsidiary. The loans we originated in fiscal 2022 were 74.8% prime and 24.1% Federal Housing Administration/Veterans Affairs (“FHA/VA”). The remaining 1.1% of our loan originations represent loans which exceed conforming conventions.

We sell virtually all of the loans and loan-servicing rights that we originate within a short period of time. Loans are sold either individually or against forward commitments to institutional investors, including banks, mortgage banking firms, and savings and loan associations.

### Residential Development Activities

Our residential development activities include site planning and engineering, obtaining environmental and other regulatory approvals and constructing roads, sewer, water, and drainage facilities, recreational facilities, and other amenities and marketing and selling homes. These activities are performed by our associates, together with independent architects, consultants and contractors. Our associates also carry out long-term planning of communities. A residential development generally includes single-family detached homes and/or a number of residential buildings containing from two to 24 individual homes per building, together with amenities, such as club houses, swimming pools, tennis courts, tot lots and open areas.

Information on housing revenues, homes delivered and average sales price by segment for the year ended October 31, 2022, is set forth below:

(Housing revenue in thousands)	Housing Revenues	Homes Delivered	Average Sales Price
Northeast	\$ 1,068,098	1,895	\$ 563,640
Southeast	323,511	650	497,709
West	1,448,845	2,993	484,078
Consolidated total	\$ 2,840,454	5,538	\$ 512,902
Unconsolidated joint ventures(1)	\$ 343,617	552	\$ 622,495

(1) Represents housing revenues and home deliveries for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 20 to the Consolidated Financial Statements for a further discussion of our unconsolidated joint ventures.

### Net Sales Contracts

The dollar value of our net sales contracts, excluding unconsolidated joint ventures, decreased 14.4% to \$2.5 billion for the year ended October 31, 2022 from \$2.9 billion for the year ended October 31, 2021, and the number of homes contracted decreased 25.7% to 4,477 in fiscal 2022 from 6,023 in fiscal 2021, despite a 3.7% increase in the average number of open-for-sale communities from 109 for fiscal 2021 to 113 for fiscal 2022. We ended fiscal 2022 with 121 active selling communities. Sales pace slowed dramatically during the third and fourth quarters of fiscal 2022, due to an overall slow-down in home demand caused by a sharp rise in mortgage rates, year-over-year home price increases, record high inflation levels and customer fears of an economic recession.

Information on the dollar value of net sales contracts by segment for the years ended October 31, 2022 and 2021, is set forth below:

(In thousands)	2022		2021		Percentage of Change
Northeast	\$ 857,240	\$ 1,011,639			(15.3)%
Southeast	412,975	320,485			28.9%
West	1,200,211	1,555,468			(22.8)%
Consolidated total	\$ 2,470,426	\$ 2,887,592			(14.4)%
Unconsolidated joint ventures(1)	\$ 384,811	\$ 536,597			(28.3)%

(1) Represents net contract dollars for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 20 to the Consolidated Financial Statements for a further discussion of our unconsolidated joint ventures.

**Active Selling Communities**

The following table summarizes our active selling communities under development as of October 31, 2022. The contracted not delivered and remaining homes available in our active selling communities are included in the consolidated total homesites under the total residential real estate chart in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	<b>Communities</b>	<b>Approved Homes</b>	<b>Homes Delivered</b>	<b>Contracted Not Delivered(1)</b>	<b>Remaining Homes Available(2)</b>
Northeast	32	6,116	1,820	850	3,446
Southeast	21	2,916	1,018	502	1,396
West	68	12,024	5,115	834	6,075
<b>Total</b>	<b>121</b>	<b>21,056</b>	<b>7,953</b>	<b>2,186</b>	<b>10,917</b>

(1) Includes 379 home sites under option.

(2) Of the total remaining homes available, 739 were under construction or completed (including 59 models and sales offices), and 5,808 were under option.

**Backlog**

At October 31, 2022 and 2021, including unconsolidated joint ventures, we had a backlog of signed contracts for 4,710 homes and 5,535 homes, respectively, representing a 14.9% decrease, with sales values aggregating \$1.9 billion and \$2.2 billion, respectively. The majority of our backlog at October 31, 2022 is expected to be completed and closed within the next six to nine months.

Current base prices for our homes in contract backlog at October 31, 2022, range from \$156,000 to \$1,205,000 in the Northeast, from \$283,000 to \$1,485,000 in the Southeast and from \$240,000 to \$1,075,000 in the West. Closings generally occur and are typically reflected in revenues within six to nine months of when sales contracts are signed.

At November 30, 2022 and 2021, our backlog of signed contracts, including unconsolidated joint ventures, was 4,614 homes and 5,820 homes, respectively, with sales values aggregating \$1.8 billion and \$2.3 billion, respectively. For information on our backlog excluding unconsolidated joint ventures, see the contract table in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Homebuilding: Key Performance Indicators.”

Sales of our homes typically are made pursuant to a standard sales contract that provides the customer with a statutorily mandated right of rescission for a period ranging up to 15 days after execution. Sales contracts require a nominal customer deposit at the time of signing. In addition, in some Northeast locations, we typically obtain an additional 5% to 10% down payment due within 30 to 60 days after signing. In most markets, an additional deposit is required when a customer selects and commits to optional upgrades in the home. The contract may include a financing contingency, which permits customers to cancel their obligation in the event mortgage financing at prevailing interest rates (including financing arranged or provided by us) is unobtainable within the period specified in the contract. This contingency period typically is four to eight weeks following the date of execution of the contract. When mortgage rates increase or housing values decline in certain markets, some customers cancel their contracts and forfeit their deposits. Sales contracts are included in backlog once the sales contract is signed by the customer, which in some cases includes contracts that are in the rescission or cancellation periods. However, revenues from sales of homes are recognized in the Consolidated Statements of Operations, when control is transferred to the buyer, which occurs when the buyer takes title to and possession of the home and there is no continuing involvement. For further information on cancellation rates, see the contract cancellation rates table in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Homebuilding: Key Performance Indicators.”

**Residential Land Inventory in Planning**

It is our objective to control a supply of land, primarily through options, whenever possible, consistent with anticipated homebuilding requirements in each of our housing markets. Controlled land (land owned and under option) as of October 31, 2022, exclusive of communities under development described above under “Active Selling Communities” and excluding unconsolidated joint ventures, is summarized in the following table. The proposed developable home sites in communities in planning are included in the 31,800 consolidated total home sites under the total residential real estate table in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

**Communities in Planning**

(Dollars in thousands)	Number of Proposed Communities	Proposed Developable Home Sites	Total Land Option Price	Book Value (1)(2)
<b>Northeast:</b>				
Under option	84	10,011	\$ 744,535	\$ 49,359
Owned	11	715		\$ 46,901
<b>Total</b>	<b>95</b>	<b>10,726</b>		<b>\$ 96,260</b>
<b>Southeast:</b>				
Under option	19	2,773	\$ 163,181	\$ 45,033
Owned	3	50		\$ 2,862
<b>Total</b>	<b>22</b>	<b>2,823</b>		<b>\$ 47,895</b>
<b>West:</b>				
Under option	34	3,525	\$ 274,223	\$ 22,078
Owned	15	1,623		\$ 28,628
<b>Total</b>	<b>49</b>	<b>5,148</b>		<b>\$ 50,706</b>
<b>Totals:</b>				
Under option	137	16,309	\$ 1,181,939	\$ 116,470
Owned	29	2,388		\$ 78,391
<b>Combined total</b>	<b>166</b>	<b>18,697</b>		<b>\$ 194,861</b>

(1) Properties under option also include costs incurred on properties not under option but which are under evaluation. For properties under option, as of October 31, 2022, option fees and deposits aggregated approximately \$69.0 million. As of October 31, 2022, we spent an additional \$47.5 million in nonrefundable predevelopment costs on such properties, including properties not under option but under evaluation.

(2) The book value for properties under option includes land banking arrangements of \$42.5 million, which is included in "Consolidated inventory not owned" on our Consolidated Balance Sheets.

We either option or acquire improved or unimproved home sites from land developers or other sellers. Under a typical agreement with the land developer, we purchase a minimal number of home sites. The balance of the home sites to be purchased is covered under an option agreement or a nonrecourse purchase agreement. During a declining homebuilding market, we typically decide to mothball (or stop development on) certain communities where we have determined that current market conditions do not justify further investment at that time. When we decide to mothball a community, the inventory is reclassified on our Consolidated Balance Sheets from "Sold and unsold homes and lots under development" to "Land and land options held for future development or sale". See Note 3 to the Consolidated Financial Statements for further discussion on mothballed communities.

**Raw Materials**

The homebuilding industry has from time-to-time experienced raw material and labor shortages. In particular, shortages and fluctuations in the price of lumber or other important raw materials could result in start or completion delays or increases to the cost of developing one or more of our residential communities. We attempt to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, we generally contract with subcontractors to construct our homes. We have reduced construction and administrative costs by consolidating the number of vendors serving certain markets and by executing national purchasing contracts with select vendors. During fiscal 2022, relative to the prior fiscal year, labor and material shortages that were initially due to the COVID-19 pandemic started to gradually improve. For example, we experienced a significant increase in lumber prices during fiscal 2021 and into the first half of fiscal 2022 due to supply chain issues, but prices began to decrease during the second half of fiscal 2022. We cannot predict, however, the extent to which shortages in necessary raw materials or labor may occur in the future.

**Seasonality**

Our business is seasonal in nature and, historically, weather-related problems, typically in the fall, late winter and early spring, can delay starts or closings and increase costs.

**Competition**

Our homebuilding operations are highly competitive. We are among the top 15 homebuilders in the United States in both homebuilding revenues and home deliveries. We compete with numerous real estate developers in each of the geographic areas in which we operate. Our competition ranges from small local builders to larger regional builders to publicly owned builders and developers, some of which have greater sales and financial resources than we do. Previously owned homes and the availability of rental housing provide additional competition. We compete primarily on the basis of reputation, price, location, design, quality, service and amenities.

## Regulation and Environmental Matters

We are subject to extensive and complex laws and regulations that affect the development of land and home building, sales and customer financing processes 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, we are subject to registration and filing requirements in connection with the construction, advertisement and sale of our communities in certain states and localities in which we operate even if all necessary government approvals have been obtained. We 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 we operate. Generally, such moratoriums relate to insufficient water or sewerage facilities or inadequate road capacity.

In addition, some state and local governments in markets where we operate have approved, and others may approve, slow-growth, or no-growth initiatives that could negatively affect the availability of land and building opportunities within those areas. Approval of these initiatives could adversely affect our ability to build and sell homes in the affected markets and/or could require the satisfaction of additional administrative and regulatory requirements, which could result in slowing the progress or increasing the costs of our homebuilding operations in these markets. Any such delays or costs could have a negative effect on our future revenues and earnings.

We are also subject to a variety of local, state, federal and foreign laws and regulations concerning protection of health and the environment, including those regulating the emission or discharge of materials into the environment, the management of storm water runoff at construction sites, the handling, use, storage and disposal of hazardous substances, impacts to wetlands and other sensitive environments, and the remediation of contamination at properties that we have owned or developed or currently own or are developing (“environmental laws”). The particular environmental laws 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. See Risk Factors – *“Homebuilders are subject to a number of federal, local, state, and foreign laws and regulations concerning the development of land and homebuilding, sales and customer financing processes and the protection of the environment, which can cause us to incur delays and costs associated with compliance and which can prohibit or restrict our activity in some regions or areas”*, Item 3 “Legal Proceedings” and Note 18 to the Consolidated Financial Statements.

Despite our past ability to obtain necessary permits and approvals for our communities, we anticipate that increasingly stringent requirements will be imposed on developers and homebuilders in the future. Although we cannot reliably predict the extent of any effect these requirements may have on us, they could result in time-consuming and expensive compliance programs and in substantial expenditures, which could cause delays and increase our cost of operations. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained is dependent upon many factors, some of which are beyond our control, such as changes in policies, rules and regulations and their interpretation and application.

## ITEM 1A RISK FACTORS

You should carefully consider the following risks in addition to the other information included in this Annual Report on Form 10-K, including the Consolidated Financial Statements and the notes thereto.

### Risk Relating to Our Business and Industry

*The homebuilding industry is significantly affected by changes in general and local economic conditions and real estate markets, which could affect our ability to build homes at prices our customers are willing or able to pay, could reduce profits that may not be recaptured, could result in cancellation of sales contracts, and could affect our liquidity.*

The homebuilding industry is cyclical, has from time-to-time experienced significant difficulties, and is significantly affected by changes in general and local economic conditions such as:

- Interest rates;
- Employment levels and wage and job growth;
- Labor shortages and increasing labor and materials costs, including because of changes in immigration laws and trends in labor migration;
- Availability and affordability of financing for home buyers;
- Adverse changes in tax laws;
- Regulatory changes;
- Foreclosure rates;
- Inflation;
- Housing affordability, consumer confidence and spending;
- Housing demand in general and for our particular community locations and product designs, as well as consumer interest in purchasing a home compared to other housing alternatives;
- Population growth and demographic trends; and
- Availability of water supply in locations in which we operate.



Turmoil in the financial markets can affect our liquidity. In addition, our cash balances are primarily invested in short-term government-backed instruments. The remaining cash balances are held at numerous financial institutions and may, at times, exceed insurable amounts. We seek to mitigate this risk by depositing our cash in major financial institutions and diversifying our investments. In addition, our homebuilding operations often require us to obtain letters of credit. We have certain stand-alone letter of credit facilities and agreements pursuant to which letters of credit are issued. However, we may need additional letters of credit above the amounts provided under these facilities and letters of credit may not be issued under our current senior secured revolving credit facility. If we are unable to obtain such additional letters of credit as needed to operate our business, we would be adversely affected.

In addition, geopolitical events, acts of war or terrorism, threats to national security, civil unrest, any outbreak or escalation of hostilities throughout the world and health pandemics may have a substantial impact on the economy, consumer confidence, the housing market, our associates and our customers.

The difficulties described above could cause us to take longer and incur more costs to build our homes. In addition, our insurance may not fully cover business interruptions or losses caused by weather conditions and man-made or natural disasters and we may not be able to recapture increased costs by raising prices in many cases because we fix our prices up to 12 months in advance of delivery by signing home sales contracts. Some buyers may also cancel or not honor their home sales contracts altogether.

*Raw material and labor shortages and price fluctuations could delay or increase the cost of home construction and adversely affect our operating results.*

The homebuilding industry is vulnerable to raw material and labor shortages and has from time-to-time experienced such shortages. In particular, shortages and fluctuations in the price of lumber or in other important raw materials could result in delays in the start or completion of, or increase the cost of, developing one or more of our residential communities. Pricing for labor and raw materials can be affected by various national, regional, local, economic and political factors. For example, the federal government has previously imposed new or increased tariffs or duties on an array of imported materials and goods that are used in connection with the construction and delivery of our homes, including lumber, raising our costs for these items (or products made with them). Such government-imposed tariffs and trade regulations on imported building supplies, and retaliatory measures by other countries, may in the future have significant impacts on the cost to construct our homes and on our customers' budgets, including by causing disruptions or shortages in our supply chain. We have also experienced labor shortages, price fluctuations and increased labor costs, including as a result of inflation or wage increases, particularly over the past year due to historic inflation rates in the United States. The cost of labor may be adversely affected by changes in immigration laws and trends in labor migration. In addition, increased demand could increase material and labor costs. Throughout fiscal 2022, we experienced construction delays due to shortages in the supply of materials, as well as labor and subcontractor shortages in all of our markets. These delays impact the timing of our expected home closings and may also result in cost increases that we may not be able to pass to our current or future customers. Sustained increases in construction costs may, over time, erode our margins, and impact our total contract or delivery volumes.

Due to significantly increased demand in June and July of 2020, we began increasing home prices which continued throughout the first half of fiscal 2022. During the second half of fiscal 2022 demand and home prices started to decrease as a result of rising mortgage rates. If we are limited in our ability to raise home prices and labor and house construction costs rise further, we could experience lower gross margins. Additionally, we experienced a significant increase in lumber prices during fiscal 2021 and into the first half of fiscal 2022 due to supply chain issues, but we have recently seen prices start to decrease.

*Interest rates have increased substantially over the last year and may continue to increase. Because almost all of our customers require mortgage financing, increases in interest rates or the decreased availability of mortgage financing could considerably impair the affordability of our homes, lower demand for our products, limit our marketing effectiveness and limit our ability to fully realize our backlog.*

Virtually all of our customers finance their acquisitions through lenders providing mortgage financing. Over the past several years mortgage rates have been historically low, which made the homes we sell more affordable. However, mortgage rates more than doubled in fiscal year 2022, as a result of the Federal Reserve raising interest rates in an effort to curtail inflation. When interest rates increase, the cost of owning a home increases, which reduces the number of potential homebuyers who can obtain mortgage financing and can result in a decline in the demand for our homes. We cannot predict whether interest rates will continue to rise, or the paces of the increases, but further increases would likely have a considerable impact on housing demand.

Increases in interest rates (or the perception that interest rates will rise, including as a result of government actions), increases in the costs to obtain mortgages or decreases in availability of mortgage financing have, and could continue to, lower demand for new homes because of the increased monthly mortgage costs and cash required to close on mortgages to potential home buyers. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their existing homes to potential buyers who need financing. This could prevent or limit our ability to attract new customers as well as our ability to fully realize our backlog because our sales contracts generally include a financing contingency. Financing contingencies permit the customer to cancel his/her obligation in the event mortgage financing at prevailing interest rates, including financing arranged or provided by us, is unobtainable within the period specified in the contract. This contingency period is typically four to eight weeks following the date of execution of the sales contract. We believe that the availability of mortgage financing, including through federal government agencies or government-sponsored enterprises (such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and FHA/VA financing), is an important factor in marketing many of our homes. Any limitations or restrictions on the availability of mortgage financing (including due to any failure of lawmakers to agree on a budget or appropriation legislation to fund relevant programs or operations) could reduce our sales. Further, if we are unable to originate mortgages for any reason going forward, our customers may experience significant mortgage loan funding issues, which could have a material impact on our homebuilding business and our Consolidated Financial Statements.

*Inflation may adversely affect us by increasing costs beyond what we can recover through price increases and by increasing mortgage rates for homebuyers.*

Inflation can adversely affect us by increasing costs of land, materials and labor, which we have experienced in fiscal year 2022 due to historic inflation rates. In addition, as discussed above, inflation is often accompanied by higher interest rates that could cause a slowdown in the housing market. In an inflationary environment, such as the current economic environment, depending on homebuilding industry and other economic conditions, we may be unable to raise home prices enough to keep up with the rate of inflation. Moreover, in an inflationary environment, our cost of capital, labor and materials can increase and the purchasing power of our cash resources can decline, which can have an adverse impact on our business or financial results. In an effort to counteract such inflationary pressures and maintain sales volumes in light of these challenges, we have offered increased sales incentives and have been purchasing bulk mortgage lock commitments to be used for qualifying homebuyers, which reduce our profit margins. These measures may not be successful and continued inflationary pressures could further impact our profitability.

*A significant downturn in the homebuilding industry could materially and adversely affect our business.*

The homebuilding industry experienced a significant and sustained downturn that began in 2007, during which the lowest volumes of housing starts were significantly below troughs in previous downturns. This downturn resulted in an industry-wide softening of demand for new homes due to a lack of consumer confidence, decreased availability of mortgage financing, and large supplies of resale and new home inventories, among other factors. In addition, an oversupply of alternatives to new homes, such as rental properties, resale homes and foreclosures, depressed prices and reduced margins for the sale of new homes. Industry conditions had a material adverse effect on our business and results of operations in fiscal 2007 through 2011. Further, we had substantially increased our inventory through fiscal 2006, which required significant cash outlays and which increased our price and margin exposure as we worked through this inventory. If the homebuilding industry experiences another significant or sustained downturn, it would materially adversely affect our business and results of operations in future years. In particular, during the second half of fiscal 2022, housing demand weakened due to a sharp increase in mortgage rates, the substantial increase in home prices experienced over the past two years, significant inflation in the broader economy, stock market volatility, and other macro-economic conditions, which have adversely impacted buyer sentiment and behavior. Additionally, U.S. single family home starts fell to the lowest level in more than two years in September 2022, which many predict will not recover in light of rising interest rates and recessionary fears. Therefore, the risks discussed above are more pronounced in the current economic environment.

*Public health issues such as a major epidemic or pandemic could adversely affect our business or financial results.*

The U.S. and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public health and public perception of health risk. The World Health Organization declared COVID-19 a pandemic, resulting in federal, state and local governments and private entities mandating various restrictions, quarantines, curfews, “stay-at-home” or “shelter in place” orders and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. We responded in various ways to the governmental measures in mid-March and early April of 2020, including, among other measures, temporarily closing our sales offices, model homes and design studios to the general public, limiting our construction operations, and reducing the municipal and private services we rely on, which substantially tempered our sales pace. Beginning in May 2020 and continuing through April 2021, our sales pace recovered and exceeded our pre-COVID-19 sales pace. However, the effects of the pandemic combined with the improvement in economic conditions and the strong demand for new homes caused multiple disruptions in our supply chain and have resulted in shortages in certain building materials and tightness in the labor market, which has caused our construction cycle to lengthen.

While government restrictions have eased throughout 2022 and people have largely resumed pre-pandemic activities, the effects of COVID-19 continue to linger in the U.S. economy and our supply chain. Future disruptions and governmental actions, due to COVID-19 or a different epidemic or pandemic, combined with any associated economic and/or social instability or distress, may have an adverse impact on our results of operations, financial condition and cash flows.

*The homebuilding industry is significantly affected by changes in weather and other environmental conditions and resulting governmental regulations and increased focus by stakeholders on sustainability issues.*

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, floods or prolonged precipitation, droughts, fires and other environmental conditions can harm the local homebuilding business. Additionally, the physical impacts of climate change may cause these occurrences to increase in frequency, severity and duration, which can delay home construction, increase costs by damaging inventories, reduce the availability of building materials, and adversely impact the demand for new homes in affected areas, as well as slow down or otherwise impair the ability of utilities and local governmental authorities to provide approvals and service to new housing communities. For example, wildfires in California and hurricanes in Texas and Florida in recent years have at various times caused utility company delays, slowing of our production process, increased cost of operations and also have impacted our sales and construction activity in affected markets during the related time periods. Additionally, other coastal areas where we operate face increased risks of adverse weather or natural disasters.

In addition, there is a growing concern from advocacy groups and the general public that the emissions of greenhouse gases and other human activities have caused, or will cause, significant changes in weather patterns and temperatures and the frequency and severity of natural disasters. Government mandates, standards and regulations enacted in response to these projected climate changes impacts could result in restrictions on land development in certain areas or increased energy, transportation and raw material costs that may adversely affect our financial condition and results of operations. These concerns have also resulted in increasing governmental and societal attention to environmental, social, and governance ("ESG") matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, waste production, water usage, human capital, labor, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, and report. These and other rapidly changing laws, regulations, policies and related interpretations, as well as increased enforcement actions by various governmental and regulatory agencies, may create challenges for the Company, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our results of operations and cash flows.

*Our business is seasonal in nature and our quarterly operating results fluctuate.*

Our quarterly operating results generally fluctuate by season. The construction of a customer's home typically begins after signing the agreement of sale and can take six to nine months or more to complete. Weather-related problems, typically in the fall, winter and early spring, can delay starts or closings and increase costs and thus reduce profitability. In addition, delays in opening communities could have an adverse effect on our sales and revenues. Due to these factors, our quarterly operating results will likely continue to fluctuate.

*Our success depends on the availability of suitable undeveloped land and improved lots at acceptable prices and our having sufficient liquidity to fund such investments.*

Our success in developing land and in building and selling homes depends in part upon the continued availability of suitable undeveloped land and improved lots at acceptable prices. The homebuilding industry is highly competitive for land that is suitable for residential development and the availability of undeveloped land and improved lots for purchase at favorable prices depends on a number of factors outside of our control, including the risk of competitive overbidding on land and lots, geographical or topographical constraints and restrictive governmental regulation. Should suitable land opportunities become less available, our ability to implement our strategies and operational actions would be limited and the number of homes we may be able to build and sell would be reduced, which would reduce revenue and profits. In addition, our ability to make land purchases will depend upon us having sufficient liquidity to fund such purchases. We may be at a disadvantage in competing for land compared to others who have more substantial cash resources.

*We rely on subcontractors to construct our homes and may incur costs or losses if these subcontractors fail to properly construct our homes or manage and pay their employees, or if products supplied to us by subcontractors are defective.*

We engage subcontractors to perform the actual construction of our homes and, in some cases, to select and obtain building materials. Therefore, the timing and quality of our construction depends on the availability, skill, and cost of our subcontractors. Despite our quality control efforts, we may discover that our subcontractors failed to properly construct our homes or may use defective materials, which, if widely used in our business, could result in the need to perform extensive repairs to large numbers of homes. The occurrence of such events could require us to repair the homes in accordance with our standards and as required by law. The cost of complying with our warranty obligations may be significant if we are unable to recover the cost of repairs from subcontractors, materials suppliers and insurers. In addition, the cost of satisfying our legal obligations in these instances may be significant, and we may be unable to recover the cost of repair from subcontractors and insurers.

We also can suffer damage to our reputation, and may be exposed to possible liability, if subcontractors fail to comply with applicable laws, including laws involving actions or matters that are not within our control. When we learn about possibly improper practices by subcontractors, we attempt to cause the subcontractors to discontinue them and may terminate the use of such subcontractors. However, attempts at mitigation may not avoid claims against us relating to actions of or matters relating to our subcontractors that are out of our control. For example, although we do not have the ability to control what these independent subcontractors pay their own employees, or their own subcontractors, or the work rules they impose on such personnel, federal and state governmental agencies, including the U.S. National Labor Relations Board, have sought, and may in the future seek, to hold contracting parties like us responsible for subcontractors' violations of wage and hour laws, or workers' compensation, collective bargaining and/or other employment-related obligations related to subcontractors' workforces. Governmental agency determinations or attempts by others to make us responsible for subcontractors' labor practices or obligations, could create substantial adverse exposure for us in these types of situations even though not within our control.

*Changes in economic and market conditions could result in the sale of homes at a loss or holding land in inventory longer than planned, the cost of which can be significant.*

Land inventory risk can be substantial for homebuilders. We must continuously seek and make acquisitions of land for expansion into new markets and for replacement and expansion of land inventory within our current markets. We incur many costs even before we begin to build homes in a community. Depending on the stage of development of a land parcel when we acquire it, these may include costs of preparing land, finishing and entitling lots, installing roads, sewers, water systems and other utilities, taxes and other costs related to ownership of the land on which we plan to build homes. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. In the event of significant changes in economic or market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. In the case of land options, we could choose not to exercise them, in which case we would write-off the value of these options. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market. The assessment of communities for indication of impairment is performed quarterly. While we consider available information to determine what we believe to be our best estimates as of the reporting period, these estimates are subject to change in future reporting periods as facts and circumstances change. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Critical Accounting Policies.” If market conditions significantly worsen, additional inventory impairments and land option write-offs will likely be necessary.

*We conduct a significant portion of our business in Arizona, California, Delaware, Florida, New Jersey, Ohio, Texas and Virginia, and accordingly, regional factors affecting home sales and activities in these markets may have a large impact on our results of operations.*

We presently conduct a significant portion of our business in Arizona, California, Delaware, Florida, New Jersey, Ohio, Texas and Virginia, which subjects us to risks associated with the regional and local economies of these markets. Home prices and sales activities in these markets and in most of the other markets in which we operate have declined from time to time, particularly as a result of slow economic growth. These markets may also depend, to a degree, on certain sectors of the economy, and any declines in those sectors may impact home sales and activities in that region. For example, to the extent the oil and gas industries, which can be very volatile, are negatively impacted by declining commodity prices, climate change, legislation or other factors, it could result in reduced employment, or other negative economic consequences, which in turn could adversely impact our home sales and activities in Texas. Furthermore, precarious economic and budget situations at the state government level may adversely affect the market for our homes in the affected areas. Weather-related or other events impacting these markets could also negatively affect these markets as well as the other markets in which we operate. If home prices and sales activity decline in one or more of the markets in which we operate, our costs may not decline at all or at the same rate and the Company’s business, financial condition and results of operations could be materially adversely affected.

*Increases in cancellations of agreements of sale could have an adverse effect on our business.*

Our backlog reflects agreements of sale with our home buyers for homes that have not yet been delivered. We have received a deposit from our home buyer for each home, which is reflected in our backlog, and we generally have the right to retain the deposit if the home buyer does not complete the purchase. In some situations, however, a home buyer may cancel the agreement of sale and receive a complete or partial refund of the deposit for reasons such as state and local law, an inability to obtain mortgage financing at prevailing interest rates (including financing arranged or provided by us), an inability to sell their current home, or our inability to complete and deliver the new home within the specified time. At October 31, 2022, including unconsolidated joint ventures, we had a backlog of signed contracts for 4,710 homes with a sales value aggregating \$1.9 billion. If mortgage financing becomes less accessible, or if economic conditions deteriorate, more home buyers may cancel their agreements of sale with us, which could have an adverse effect on our business and results of operations.

*Increases in the after-tax costs of owning a home could prevent potential customers from buying our homes and adversely affect our business or financial results.*

Significant expenses of owning a home, including mortgage interest expenses and real estate taxes, have historically been deductible expenses for an individual’s federal, and in some cases state, income taxes, subject to limitations under tax law and policy. The “Tax Cuts and Jobs Act” which was signed into law in December 2017 includes provisions which impose significant limitations with respect to these income tax deductions. For instance, through the end of 2025, the annual deduction for real estate taxes and state and local income taxes (or sales taxes in lieu of income taxes) is now generally limited to \$10,000. Furthermore, through the end of 2025, the deduction for mortgage interest is generally only available with respect to the first \$750,000 of a new mortgage and there is no longer a federal deduction for interest on home equity loans. In addition, if the federal government or a state government further changes its income tax laws to further eliminate or substantially limit these income tax deductions, the after-tax cost of owning a new home would further increase for many of our potential customers. The loss or reduction of these homeowner tax deductions that have historically been available has and could further reduce the perceived affordability of homeownership, and therefore the demand for and sales price of new homes, including ours, particularly in states with higher state income taxes or home prices, such as in California and New Jersey. In addition, increases in property tax rates or fees on developers by local governmental authorities, as experienced in response to reduced federal and state funding or to fund local initiatives, such as funding schools or road improvements, or increases in insurance premiums can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes, and can have an adverse impact on our business and financial results.

Further, existing and prospective regulatory and societal focus on and responses to climate change intended to reduce potential climate change impacts may increase the upfront costs of purchasing a home, costs to maintain the home and its systems, energy and utility costs and the cost to obtain homeowner and various hazard and flood insurance, or limit homeowners’ ability to obtain these insurance policies altogether. Although these items have not materially impacted our business to date, they could adversely affect our business in the future.

*Mortgage investors could seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties.*

Our financial services segment originates mortgages, primarily for our homebuilding customers. Substantially all of the mortgage loans originated are sold within a short period of time in the secondary mortgage market on a servicing released, nonrecourse basis, although we remain liable for certain limited representations, such as fraud, and warranties related to loan sales. Accordingly, mortgage investors have in the past and could in the future seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties. While we believe our reserves are adequate for known losses and projected repurchase requests, given the volatility in the mortgage industry and the uncertainty regarding the ultimate resolution of these claims, if either actual repurchases or the losses incurred resolving those repurchases exceed our expectations, additional expense may be incurred. We may have significant liabilities in respect of such claims in the future, which could exceed our reserves, and the impact of such claims on our results of operations could be material. Further, an increase in the default rate on the mortgages we originate may adversely affect our ability to sell mortgages or the pricing we receive upon the sale of mortgages.

*We compete on several levels with homebuilders that may have greater sales and financial resources, which could hurt future earnings.*

We compete not only for home buyers but also for desirable properties, financing, raw materials and skilled labor often within larger subdivisions designed, planned and developed by other homebuilders. Our competitors include other local, regional and national homebuilders, some of which have greater sales and financial resources or more established relationships with suppliers and subcontractors in the markets in which we operate. In addition, we compete with other housing alternatives, such as existing homes and rental housing. In the homebuilding industry, we compete primarily on the basis of reputation, price, location, design, quality, service and amenities. Our financial services segment competes with other mortgage providers, primarily on the basis of fees, interest rates and other features of mortgage loan products.

The competitive conditions in the homebuilding industry together with current market conditions have caused, and could continue to result in, difficulty in acquiring suitable land at acceptable prices; increased selling incentives; lower sales; delays in construction; or impairment of our ability to implement our strategies and operational actions. Any of these problems could increase costs and/or lower profit margins.

*Utility shortages and outages or rate fluctuations could have an adverse effect on our operations.*

In prior years, the areas in which we operate in California have experienced power shortages, including periods without electrical power, as well as significant fluctuations in utility costs. We may incur additional costs and may not be able to complete construction on a timely basis if such power shortages and outages and utility rate fluctuations continue. Furthermore, power shortages and outages and rate fluctuations may adversely affect the regional economies in which we operate, which may reduce demand for our homes. Our operations may be adversely affected if further rate fluctuations and/or power shortages and outages occur in California, the Northeast or in our other markets.

*Information technology failures and data security breaches could harm our business.*

We use information technology ("IT"), digital telecommunications and other computer resources to conduct important operational activities and to maintain our business records. In addition, we rely on the systems of third parties, such as third-party vendors. Our computer systems, including our backup systems, and those of the third parties on whose systems we rely, are subject to damage or interruption from computer and telecommunications failures, computer viruses, power outages, security breaches (including through phishing attempts, data-theft and cyber-attack), ransomware attacks, usage errors by our associates and catastrophic events, such as fires, floods, hurricanes and tornadoes. As part of our normal business activities, we collect and store certain personal identifying and confidential information relating to our homebuyers, employees, vendors and suppliers, and maintain operational and financial information related to our business. We may share some of this confidential information with our vendors. We rely on our vendors and third-party service providers to maintain effective cybersecurity measures to keep our information secure. If our computer systems and our backup systems, or those of the third parties on whose systems we rely, are breached, compromised or damaged, or otherwise cease to function properly, we could suffer interruptions in our operations or the misappropriation of proprietary, personal identifying or confidential information, including information about our business partners and home buyers. Our or our vendors' and third-party service providers' failure to maintain the security of the data we are required to protect could result in damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also in deterioration in customers' confidence in us and other competitive disadvantages.

Data protection and privacy laws have been enacted by the U.S. federal and state governments, including the California Consumer Privacy Act (and its successor the California Privacy Rights Act which will go into effect in January 2023) and the Virginia Consumer Data Protection Act, which will become effective in January 2023, and the regulatory regime continues to evolve and is increasingly demanding. Many states have passed or are considering privacy and security legislation and there are ongoing discussions regarding a national privacy law. Variations in requirements across other states could present compliance challenges, as well as significant costs related to compliance.

Privacy, security, and compliance concerns have continued to increase as technology has evolved. Further, there has been a surge in widespread cyber-attacks during and since the COVID-19 pandemic, and the use of remote work environments and virtual platforms may increase our risk of cyber-attack or data security breaches. We maintain cybersecurity insurance coverage and have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive, confidential and personal data, including through the use of encryption and authentication technologies. Additionally, we have increased our monitoring capabilities to enhance early detection and rapid response to potential security anomalies. These measures, which require ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated, are costly and may not be effective in preventing or mitigating significant negative occurrences or irregularities in our systems or those of third parties on whose systems we rely. While, to date, we have not had a significant cybersecurity breach or attack that has a material impact on our business or results of operations, our efforts to maintain the security and integrity of our IT networks and related systems may not be effective and attempted security breaches or disruptions could be successful or damaging.

*Negative publicity could adversely affect our reputation and our business, financial results and stock price.*

Our reputation and brand are critical to our success. Unfavorable media related to our industry, company, brand, personnel, operations, business performance, or prospects may impact our stock price and the performance of our business, regardless of its accuracy or inaccuracy. The speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites, "tweets," and blogs. Our success in maintaining and expanding our brand image depends on our ability to adapt to this rapidly changing media

environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our homes, which would adversely affect our business.

*Global economic and political instability and conflicts, such as the conflict between Russia and Ukraine, could adversely affect our business, financial condition or results of operations.*

Our business could be adversely affected by unstable economic and political conditions within the United States and foreign jurisdictions and geopolitical conflicts, such as the conflict between Russia and Ukraine. While we do not have any customer or direct supplier relationships in either country, the current military conflict, and related sanctions, as well as export controls or actions that may be initiated by nations (e.g., potential cyberattacks, disruption of energy flows, etc.) and other potential uncertainties could adversely affect our supply chain by causing shortages or increases in costs for materials necessary to construct homes and/or increases to the price of gasoline and other fuels. In addition, such events could cause higher interest rates, inflation or general economic uncertainty, which could negatively impact our business partners, employees or customers, or otherwise adversely impact our business.

### **Risks Related to Our Debt and Liquidity**

*Our high leverage may restrict our ability to operate, prevent us from fulfilling our obligations, and adversely affect our financial condition.*

We have a significant amount of debt.

- Our debt (excluding nonrecourse secured debt and debt of our financial subsidiaries), as of October 31, 2022, including the debt of the subsidiaries that guarantee our debt, was \$1,154.9 million (\$1,146.5 million net of discount and premiums and debt issuance costs). Additionally, we have a \$125.0 million senior secured revolving credit facility, which was fully available for borrowing as of October 31, 2022.
- Our debt service payments for the year ended October 31, 2022, were \$216.4 million, which represented interest incurred and payments on the principal of our debt and do not include principal and interest on nonrecourse secured debt, debt of our financial subsidiaries and fees under our letter of credit and other credit facilities and agreements.

As of October 31, 2022, we had \$6.0 million in aggregate outstanding face amount of letters of credit issued under various letter of credit and other credit facilities and agreements, certain of which were collateralized by \$6.1 million of cash. Our fees for these letters of credit for the year ended October 31, 2022, which are based on both the used and unused portion of the facilities and agreements, were \$0.1 million. We also had substantial contractual commitments and contingent obligations, including \$234.9 million of performance bonds as of October 31, 2022. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations.” Our strategy has been to reduce our overall debt levels and while we have reduced our debt obligations by approximately \$281 million over the past two years, as a result of recent declines in market conditions, we have paused on our debt retirement initiatives and are increasing our focus on preserving liquidity.

Our significant amount of debt could have important consequences. For example, it could:

- Limit our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt service requirements, or other requirements;
- Require us to dedicate a substantial portion of our cash flow from operations to the payment of our debt and reduce our ability to use our cash flow for other purposes, including land investments;
- Require us to pay higher interest rates upon refinancing debt if interest rates rise or due to the concentration of debt maturities or our overall leverage levels;
- Limit our flexibility in planning for, or reacting to, changes in our business;
- Place us at a competitive disadvantage because we have more debt than some of our competitors;
- Limit our ability to implement our strategies and operational actions;
- Require us to consider selling some of our assets or debt or equity securities, possibly on unfavorable terms, to satisfy obligations; and
- Make us more vulnerable to downturns in our business and general economic conditions.

Our ability to meet our debt service and other obligations will depend upon our future performance. We are engaged in businesses that are substantially affected by changes in economic cycles. Our revenues and earnings vary with the level of general economic activity in the markets we serve. Our businesses are also affected by customer sentiment and financial, political, business and other factors, many of which are beyond our control. The factors that affect our ability to generate cash can also affect our ability to raise additional funds for these purposes through the sale of equity or debt securities, the refinancing of debt or the sale of assets. Changes in prevailing interest rates may affect our ability to meet our debt service obligations to the extent we have any floating rate indebtedness. A higher interest rate on our debt service obligations could result in lower earnings or increased losses.

*Our sources of liquidity are limited and may not be sufficient to meet our needs.*

We are largely dependent on our current cash balance and future cash flows from operations (which may not be positive) to enable us to service our indebtedness, to cover our operating expenses and/or to fund our other liquidity needs. Cash provided by operating activities in fiscal 2022 and 2021 was \$89.5 million and \$210.2 million, respectively. Depending on the levels of our land purchases, we could generate positive or negative cash flow in future years. If there is a sustained decline in market conditions in the homebuilding industry over the next several years, our cash flows could be insufficient to fund our obligations and support land purchases, and if we cannot buy additional land, we would ultimately be unable to generate future revenues from the sale of houses. In addition, we will need to refinance all or a portion of our debt on or before maturity, which we may not be able to do on favorable terms or at all. If our cash flows and capital resources are insufficient to fund our debt service obligations or we are unable to refinance our indebtedness, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure our indebtedness. These alternative measures may not be successful or, if successful, made on desirable terms and may not permit us to meet our debt service obligations. We have also entered into certain cash collateralized letters of credit agreements and facilities that require us to maintain specified amounts of cash in segregated accounts as collateral to support our letters of credit issued thereunder. If our available cash and capital resources are insufficient to meet our debt service and other obligations, we could face liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or the proceeds from the dispositions may not be permitted under the terms of our debt instruments to be used to service indebtedness or may not be adequate to meet any debt service obligations then due. For additional information about capital resources and liquidity, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity.”

*Our cash flows, liquidity and consolidated financial statements could be materially and adversely affected if we are unable to obtain letters of credit.*

Our homebuilding operations often require us to obtain letters of credit. We have certain stand-alone letter of credit facilities and agreements pursuant to which letters of credit are issued. However, letters of credit may not be issued under our current senior secured revolving credit facility, and we may need additional letters of credit above the amounts provided under these stand-alone facilities and agreements. If we are unable to obtain such additional letters of credit as needed to operate our business, we would be adversely affected.

*We may have difficulty in obtaining the additional financing required to operate and develop our business.*

Our operations require significant amounts of cash, and we may be required to seek additional capital, whether from sales of debt or equity securities or borrowing additional money, for the future growth and development of our business. The terms and/or availability of additional capital is uncertain. Moreover, the agreements governing our outstanding debt instruments contain provisions that restrict the debt we may incur in the future and our ability to pay dividends on equity. If we are not successful in obtaining sufficient capital, it could reduce our sales and may hinder our future growth and results of operations. In addition, pledging substantially all of our assets to support our senior secured revolving credit facility and our senior secured notes may make it more difficult to raise additional financing in the future.

*We could be adversely affected by a negative change in our credit rating.*

Our ability to access capital on favorable terms is a key factor in our ability to service our indebtedness to cover our operating expenses and to fund our other liquidity needs. Negative rating actions by credit agencies, including downgrades, may make it more difficult and costly for us to access capital. Therefore, any downgrade by any of the principal credit agencies may exacerbate these difficulties. There can be no assurances that our credit ratings will not be downgraded in the future, whether as a result of deteriorating general economic conditions, a protracted downturn in the housing industry, failure to successfully implement our operating strategy, the adverse impact on our results of operations or liquidity position of any of the above, or otherwise.

*Restrictive covenants in our debt instruments may restrict our and certain of our subsidiaries’ ability to operate, and if our financial performance worsens, we may not be able to undertake transactions within the restrictions of our debt instruments.*

The indentures governing our outstanding debt securities and our credit facilities impose certain restrictions on our and certain of our subsidiaries’ operations and activities. The most significant restrictions relate to debt incurrence, creation of liens, repayment of certain indebtedness prior to its respective stated maturity, sales of assets (including in certain land banking transactions), cash distributions, (including paying dividends on common and preferred stock), capital stock repurchases/exchanges, and investments by us and certain of our subsidiaries (including in joint ventures). Because of these restrictions, we could be prohibited from paying dividends on our common and preferred stock.

The restrictions in our debt instruments could prohibit or restrict our and certain of our subsidiaries' activities, such as undertaking capital raising or restructuring activities or entering into other transactions. In addition, if we fail to comply with these restrictions or to make timely payments on this debt and other material indebtedness, an event of default could occur and our debt under these debt instruments could become due and payable prior to maturity. Any such event of default could lead to cross defaults under certain of our other debt or negatively impact other covenants. In any of these situations, we may be unable to amend the applicable debt instrument or obtain a waiver without significant additional cost, or at all, and we may be unable to obtain alternative financing. Any such situation could have a material adverse effect on the solvency of the Company.

*The terms of our debt instruments allow us to incur additional indebtedness.*

Under the terms of our indebtedness under our indentures and credit facilities, we have the ability, subject to our debt covenants, to incur additional amounts of debt, including secured debt. The incurrence of additional indebtedness could magnify the risks described above. In addition, certain obligations, such as standby letters of credit and performance bonds issued in the ordinary course of business, including those issued under our stand-alone letter of credit agreements and facilities, are not considered indebtedness under our debt instruments (and may be secured) and, therefore, are not subject to limits in our debt covenants.

## **Regulatory and Legal Risks**

*Homebuilders are subject to a number of federal, local, state, and foreign laws and regulations concerning the development of land and homebuilding, sales and customer financing processes and the protection of the environment, which can cause us to incur delays and costs associated with compliance and which can prohibit or restrict our activity in some regions or areas.*

We are subject to extensive and complex laws and regulations that affect the development of land and homebuilding, sales and customer financing processes, including laws and regulations relating to zoning, density, accessibility, anti-discrimination, building standards and mortgage financing. These laws and regulations often provide broad discretion to the administering governmental authorities. This can delay or increase the cost of development or homebuilding. In addition, some state and local governments in markets where we operate have approved, and others may approve, slow-growth or no-growth initiatives that could negatively impact the availability of land and building opportunities within those areas. Approval of these initiatives could adversely affect our ability to build and sell homes in the affected markets and/or could require the satisfaction of additional administrative and regulatory requirements, which could result in slowing the progress or increasing the costs of our homebuilding operations in these markets. Any of the above delays or costs could have a negative effect on our future revenues and earnings.

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

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

In March 2013, we received a letter from the EPA requesting information about our involvement in a housing redevelopment project in Newark, New Jersey that a Company entity undertook during the 1990s. We understand that the development is in the vicinity of a former lead smelter and that tests on soil samples from properties within the development conducted by the EPA showed elevated levels of lead. We also understand that the smelter ceased operations many years before the Company entity involved acquired the properties in the area and carried out the re-development project. We responded to the EPA's request. In August 2013, we were notified that the EPA considers us a potentially responsible party ("PRP") with respect to the site, that the EPA will clean up the site, and that the EPA is proposing that we fund and/or contribute towards the cleanup of the contamination at the site. We began preliminary discussions with the EPA concerning a possible resolution. The EPA requested additional information in April 2014 and again in March 2017 and the Company responded to the information requests. On May 2, 2018, the EPA sent a letter to the Company entity demanding reimbursement for 100% of the EPA's costs to clean-up the site in the amount of \$2.7 million. The Company responded to the EPA's demand letter on June 15, 2018 setting forth the Company's defenses and expressing its willingness to enter into settlement negotiations. Two other PRPs identified by the EPA began negotiations with the EPA and preliminary negotiations with the Company regarding the site. The EPA then requested that the three PRPs present a joint settlement offer to the EPA. In June 2022, the Company and one of the other PRPs reached an agreement with the EPA for a total settlement of \$1.5 million (plus accrued interest), with the Company contributing approximately \$0.8 million to the settlement, slightly below the amount we had previously accrued. The consent decree entered into by the settling parties was submitted to the United States District Court for the District of New Jersey (where the EPA had filed a complaint seeking reimbursement of response costs) on June 14, 2022 and was signed and filed by such Court on August 9, 2022.

*Legal claims not resolved in our favor, such as product liability litigation and warranty claims may be costly.*

As discussed in Item 3 – “Legal Proceedings,” in the ordinary course of business we are involved in litigation from time-to-time, including with homeowner associations, home buyers and other persons with whom we have relationships. For example, as a homebuilder, we are subject to construction defect and home warranty claims, including moisture intrusion and related claims, arising in the ordinary course of business. Such claims are common in the homebuilding industry and can be costly.

With regard to certain general liability exposures such as product liability claims, construction defect claims and related claims, assessment of claims and the related liability and reserve estimation process is highly judgmental and subject to a high degree of variability due to uncertainties such as trends in construction defect claims relative to our markets and the types of products we build, claim settlement patterns, insurance industry practices and legal interpretations, among others. Because of the high degree of judgment required in determining these estimated liability amounts, actual future costs could differ significantly from our currently estimated amounts. Furthermore, after claims are asserted for construction defects, it can be difficult to determine the extent to which assertions of such claims will expand geographically. For example, the Company has been a party to litigation in New Jersey concerning alleged defects in construction (see Note 18 to our Consolidated Financial Statements for the year ended October 31, 2022). In addition, the amount and scope of coverage offered by insurance companies is currently limited, and this coverage may be further restricted and become more costly. If we are not able to obtain adequate insurance against such claims, if the costs associated with such claims significantly exceed the amount of our insurance coverage, or if our insurers do not pay on claims under our policies (whether because of dispute, inability, or otherwise), we may experience losses that could hurt our financial results.

Our financial results could also be adversely affected if we were to experience an unusually high number of claims or unusually severe claims. Our insurance companies have the right to review our claims and claims history, and do so from time to time, and could decline to pay on such claims if such reviews determine the claims did not meet the terms for coverage. Additionally, we may need to significantly increase our construction defect and home warranty reserves as a result of insurance not being available for any of the reasons discussed above, such claims or the results of our annual actuarial study.

*Tax increases and changes in tax rules may adversely affect our financial results*

As a company conducting business with physical operations throughout North America, we are exposed, both directly and indirectly, to the effects of changes in U.S., state and local tax rules. Taxes for financial reporting purposes and cash tax liabilities in the future may be adversely affected by changes in such tax rules. Such changes may put us at a competitive disadvantage compared to some of our major competitors, to the extent we are unable to pass the tax costs through to our customers.

The Biden administration has announced in 2022 and 2021, and in certain cases has enacted, a number of tax proposals to fund new government investments in infrastructure, healthcare, and education, among other things. Certain of these proposals involve an increase in the domestic corporate tax rate, which if implemented could have a material impact on our future results of operations and cash flows. On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into law, with tax provisions primarily focused on implementing a 15% minimum tax on global adjusted financial statement income and a 1% excise tax on share repurchases. The IRA also creates a number of potentially beneficial tax credits to incentivize investments in certain technologies and industries. Certain provisions of the IRA will become effective beginning in fiscal 2023. While we do not believe the IRA will have a material negative impact on our business, the effects of the measures are unknown at this time.

## **Risks Related to Our Organization and Structure**

*We conduct certain of our operations through unconsolidated joint ventures with independent third parties in which we do not have a controlling interest. These investments involve risks and are highly illiquid.*

We currently operate through a number of unconsolidated homebuilding and land development joint ventures with independent third parties in which we do not have a controlling interest. At October 31, 2022, we had invested an aggregate of \$74.9 million in these unconsolidated joint ventures, including outstanding net advances to these unconsolidated joint ventures of \$1.6 million. In addition, as part of our strategy, we intend to continue to evaluate additional joint venture opportunities; however, we may be limited in pursuing all such desirable opportunities because the indentures governing our outstanding debt securities and our credit facilities impose certain restrictions, among others, on investments by us and certain of our subsidiaries (including in joint ventures).

These investments involve risks and are highly illiquid. There are a limited number of sources willing to provide acquisition, development and construction financing to land development and homebuilding joint ventures, and if market conditions become more challenging, it may be difficult or impossible to obtain financing for our joint ventures on commercially reasonable terms. In addition, we lack a controlling interest in these joint ventures and, therefore, are usually unable to require that our joint ventures sell assets or return invested capital, make additional capital contributions, or take any other action without the vote of at least one of our venture partners. Therefore, absent partner agreement, we will be unable to liquidate our joint venture investments to generate cash.

*The Hovnanian family is able to exercise significant influence over us.*

The combined ownership of members of the Hovnanian family, including Ara K. Hovnanian, our chairman of the board, president, and chief executive officer, through personal holdings, the limited partnership and the limited liability company established for members of Mr. Hovnanian's family and family trusts of Class A and Class B common stock, enables them to exert significant control over us, including power to control the election of the Board of Directors and to approve matters presented to our stockholders. Such holdings represented approximately 58% of the votes that could be cast by the holders of our outstanding Class A and Class B common stock combined as of October 31, 2022. This concentration of ownership may also make some transactions, including mergers or other changes in control, more difficult or impossible without their support. Also, because of their combined voting power, circumstances may occur in which their interests could be in conflict with the interests of other stakeholders.

*Our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.*

Based on past impairments and our financial performance, we generated a federal net operating loss carryforward of \$925.3 million through the year ended October 31, 2022, and we may generate net operating loss carryforwards in future years.

Section 382 of the United States Internal Revenue Code of 1986, as amended (the "Code"), contains rules that limit the ability of a company that undergoes an ownership change, which is generally any change in ownership of more than 50% of its stock over a three-year period, to utilize its net operating loss carryforwards and certain built-in losses recognized in years after the ownership change. These rules generally operate by focusing on ownership shifts among stockholders owning directly or indirectly 5% or more of the stock of a company and any change in ownership arising from a new issuance of stock by the company.

If we undergo an ownership change for purposes of Section 382 as a result of future transactions involving our stock, including purchases or sales of stock between 5% shareholders, our ability to use our net operating loss carryforwards and to recognize certain built-in losses would be subject to the limitations of Section 382. Depending on the resulting limitation, a significant portion of our net operating loss carryforwards could expire before we would be able to use them. A limitation imposed under Section 382 on our ability to utilize our net operating loss carryforwards could have a negative impact on our financial position and results of operations.

The value of our deferred tax assets is also dependent upon the tax rates expected to be in effect at the time the taxable income is expected to be generated. A decrease in enacted corporate tax rates in our major jurisdictions, especially the U.S. federal corporate rate, would decrease the value of our deferred tax assets, which could be material.

Our Board of Directors has adopted, and our shareholders have approved, a shareholder rights plan (the "Rights Plan") designed to preserve shareholder value and the value of certain tax assets primarily associated with net operating loss carryforwards and built-in losses under Section 382 of the Code. The Rights Plan is intended to act as a deterrent to any person or group acquiring 4.9% or more of our outstanding Class A common stock (any such person an "Acquiring Person"), without the approval of the Company's Board of Directors. Subject to the terms, provisions and conditions of the Rights Plan, if and when they become exercisable, each right would entitle its holder to purchase from the Company one ten-thousandth of a share of the Company's Series B Junior Preferred Stock for a specified purchase price (the "purchase price"). The rights will not be exercisable until the earlier of (i) 10 business days after a public announcement by us that a person or group has become an Acquiring Person and (ii) 10 business days after the commencement of a tender or exchange offer by a person or group for 4.9% of the Class A common stock (the "distribution date"). If issued, each fractional share of Series B Junior Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of the Company's Class A common stock. However, prior to exercise, a right does not give its holder any rights as a stockholder of the Company, including without limitation any dividend, voting or liquidation rights. After the distribution date, each holder of a right, other than rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a right and payment of the purchase price, that number of shares of Class A common stock or Class B common stock, as the case may be, having a market value of two times the purchase price. After the distribution date, our Board of Directors may exchange the rights (other than rights owned by an Acquiring Person which will have become void), in whole or in part, at an exchange ratio of one share of common stock, or a fractional share of Series B Junior Preferred Stock (or of a share of a similar class or series of Hovnanian's preferred stock having similar rights, preferences and privileges) of equivalent value, per right (subject to adjustment).

In addition, our Restated Certificate of Incorporation restricts certain transfers of our common stock in order to preserve the tax treatment of our net operating loss carryforwards and built-in losses under Section 382 of the Code. Subject to certain exceptions pertaining to pre-existing 5% stockholders and Class B stockholders, the transfer restrictions in our Restated Certificate of Incorporation generally restrict any direct or indirect transfer (such as transfers of the Company's stock that result from the transfer of interests in other entities that own the Company's stock) if the effect would be to: (i) increase the direct or indirect ownership of the Company's stock by any person (or public group) from less than 5% to 5% or more of the Company's stock; (ii) increase the percentage of the Company's stock owned directly or indirectly by a person (or public group) owning or deemed to own 5% or more of the Company's stock; or (iii) create a new "public group" (as defined in the applicable U.S. Treasury regulations).

*We could be adversely impacted by the loss of key management personnel or if we fail to attract qualified personnel.*

To a significant degree, our future success depends on the efforts of our senior management, many of whom have been with the Company for a significant number of years, and our ability to attract qualified personnel. Our operations could be adversely affected if key members of our senior management leave the Company or if we cannot attract qualified personnel to manage growth in our business.

## **ITEM 1B UNRESOLVED STAFF COMMENTS**

*None.*



**ITEM 2  
PROPERTIES**

We rent approximately 63,000 square feet of office space for our corporate headquarters and own 215,000 square feet of office and warehouse space in the Northeast. We lease approximately 294,000 square feet of space for our segments located in the Northeast, Southeast and West.

**ITEM 3  
LEGAL PROCEEDINGS**

The information required with respect to this item can be found under "Commitments and Contingent Liabilities" in Note 18 to our Consolidated Financial Statements found elsewhere in this Annual report on Form 10-K, which is incorporated by reference into this Item 3.

**ITEM 4  
MINE SAFETY DISCLOSURES**

Not applicable.

**INFORMATION ABOUT OUR EXECUTIVE OFFICERS**

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

**PART II**

**ITEM 5  
MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Class A common stock is traded on the New York Stock Exchange under the symbol "HOV" and was held by 305 stockholders of record at December 13, 2022. There is no established public trading market for our Class B common stock, which was held by 168 stockholders of record at December 13, 2022. If a stockholder desires to sell shares of Class B common stock (other than to Permitted Transferees (as defined in the Company's amended Certificate of Incorporation)), such stock must be converted into shares of Class A common stock at a one-to-one conversion rate.

## Recent Sales of Unregistered Equity Securities

None.

## Issuer Purchases of Equity Securities

The table below sets forth information regarding repurchases by the Company of its common stock during the periods indicated:

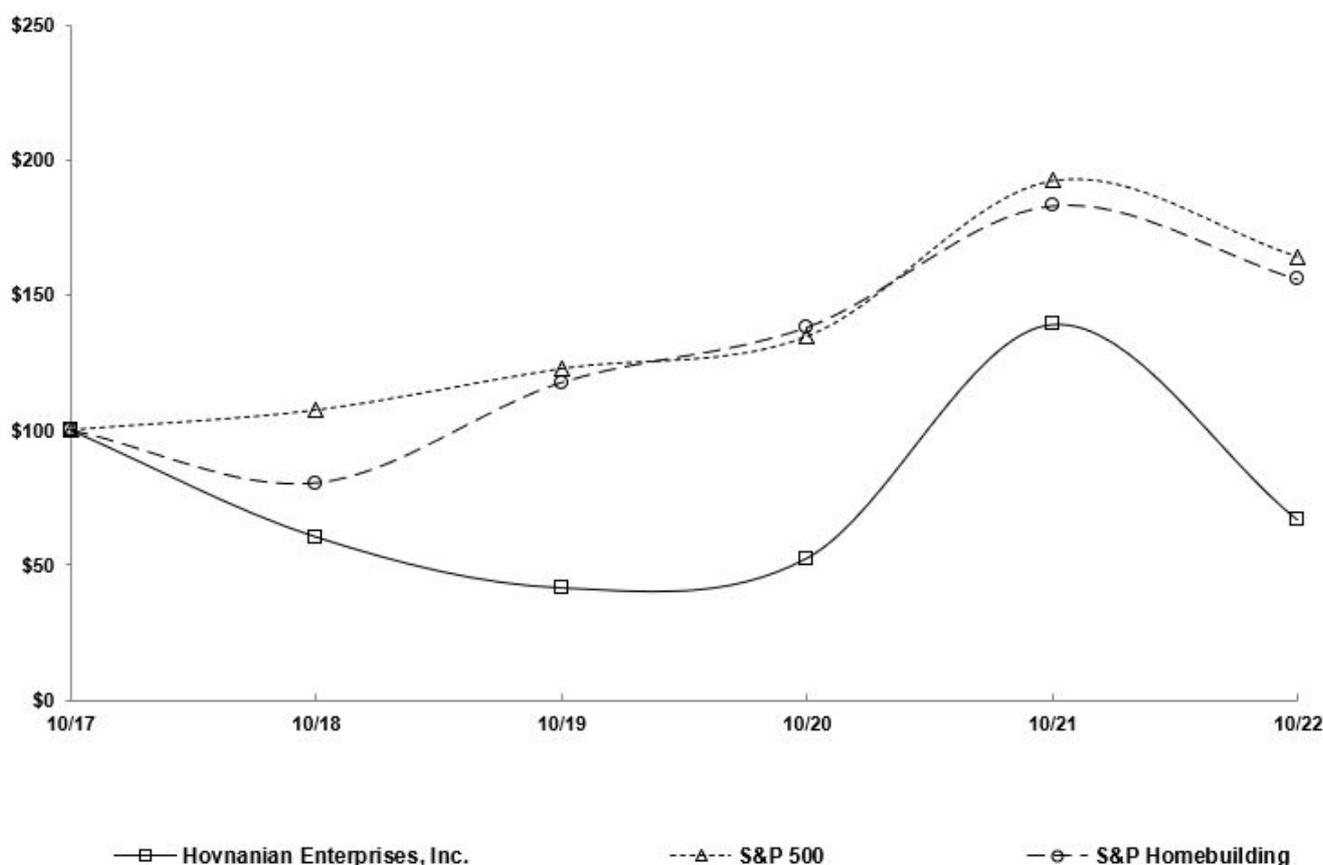
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased of Part of Publicly Announced Plans or Program (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program
August 1, 2022 through August 31, 2022	-	\$ -	-	\$ -
September 1, 2022 through September 30, 2022	114,802	\$ 40.08	114,802	\$ 45,398,503
October 1, 2022 through October 31, 2022	197,669	\$ 38.55	197,669	\$ 37,777,690

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

## Performance Graph

The following graph compares the five-year cumulative total return of our Class A common stock with the Dow Jones U.S. Home Construction Index and the Dow Jones U.S. Total Market Index. The graph assumes \$100 invested on October 31, 2017 in our Class A common stock, the Dow Jones U.S. Home Construction Index and the Dow Jones U.S. Total Market Index, and the reinvestment of all dividends.

The stock price performance shown on the following graph is not necessarily indicative of future stock performance.



Source: Standard & Poor's Financial Services, LLC, a division of The McGraw-Hill Companies Inc.

	10/17	10/18	10/19	10/20	10/21	10/22
Hovnanian Enterprises, Inc.	100.00	60.33	41.45	52.50	139.27	66.66
S&P 500	100.00	107.35	122.72	134.64	192.42	164.31
S&P Homebuilding	100.00	80.36	117.66	138.10	183.16	155.88

ITEM 6  
RESERVED



**ITEM 7  
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

**Segments**

Historically, the Company had seven reportable segments consisting of six homebuilding segments (Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West) and a financial services segment. During the fourth quarter of fiscal 2022, we reevaluated our reportable segments as a result of changes in the business and our management thereof. In particular, we considered the fact that, since our segments were last established, the Company had exited the Minnesota, North Carolina and Tampa markets and is currently in the process of exiting the Chicago market. Applying the principles set forth under ASC 280, including that our business trends are reflective of economic conditions in markets with general geographic proximity, we realigned our homebuilding operating segments and determined that, in addition to our financial services segment, we now have three reportable homebuilding segments comprised of (1) Northeast, (2) Southeast and (3) West, as noted below. All prior period amounts related to the segment change have been retrospectively reclassified to conform to the new presentation.

**Key Performance Indicators**

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

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

## Overview

### *Market Conditions and Operating Results*

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

From early January 2022, 30-year mortgage rates increased rapidly from 3.2% to 7.1% at the end of October 2022. While these rates are still low by historical standards, the quick and sharp increase in rates, along with high levels of inflation and general uncertainty and fear that the United States is headed towards an economic recession, started to have a negative impact on our net contracts and net contracts per average active selling community for the year ended October 31, 2022, particularly in the second half of the fiscal year. Currently, many buyers have temporarily paused their home purchase decisions amid such uncertainty. Despite the slowdown in net contracts during the second half of fiscal 2022, our revenues, gross margin percentage and pretax profit results showed strong improvement over the prior year through October 31, 2022. The current market environment will make it hard for that trend to continue and it is difficult to predict the impact that increased mortgage rates and other factors will have on our future results, or how strongly our business will be adversely impacted. We expect further pressure on our results from higher wages due to inflation and supply constraints in the labor market, as well as increased advertising spending, and less favorable margins on the mortgage rates we offer customers in order to attract buyers.

Our cash position allowed us to spend \$759.3 million on land purchases and land development and to early retire \$100 million principal amount of senior secured notes during fiscal 2022, and still have total liquidity of \$457.3 million, including \$326.2 million of homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility as of October 31, 2022.

Additional information on our results for the year ended October 31, 2022 were as follows:

- For the year ended October 31, 2022, sale of homes revenues increased 6.2% as compared to the prior year, primarily due to a 19.0% increase in average sales price, partially offset by a 10.7% decrease in homes delivered. The decrease in deliveries in fiscal 2022 was primarily the result of a 2.4% reduction in community count as well as the slowdown in net contracts in the second half of the year.
- Homebuilding gross margin percentage increased from 18.6% for the year ended October 31, 2021 to 21.5% for the year ended October 31, 2022, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, increased from 21.8% for the year ended October 31, 2021 to 25.0% for the year ended October 31, 2022. The increases were primarily due to increases in home prices in virtually all of our markets during fiscal 2022, along with the mix of communities delivering compared to the prior year.
- Selling, general and administrative expenses (including corporate general and administrative) increased \$19.6 million for the year ended October 31, 2022 as compared to the prior year. The increase was primarily due to an increase in compensation expense as a result of an increase in headcount and bonuses related to market conditions and company performance. In addition, we had an increase in insurance costs as a result of an increase in premiums to obtain insurance, along with additional reserves for construction defect claims. Despite the increase in dollars, as a percentage of total revenue, such costs remained relatively flat at 10.1% for the year ended October 31, 2022 compared to 9.9% for the year ended October 31, 2021.
- Income before income taxes increased to \$319.8 million for the year ended October 31, 2022 from \$189.9 million for the year ended October 31, 2021. Net income decreased to \$225.5 million for the year ended October 31, 2022 from \$607.8 million (which included a \$468.6 million benefit from a reduction in our deferred tax asset valuation allowance) for the year ended October 31, 2021. Earnings per share, basic and diluted, decreased to \$30.31 and \$29.00, respectively, for the year ended October 31, 2022, compared to earnings per share, basic and diluted of \$87.50 and \$85.86, respectively, for the year ended October 31, 2021, driven by the prior year reduction of our deferred tax asset valuation allowance.
- Net contracts decreased 25.7% for the year ended October 31, 2022, compared to the prior year, as sales pace slowed significantly during the third and fourth quarters of fiscal 2022, due to an overall slow-down in home demand across the industry, primarily from the impact of the rise in interest rates during that time.
- Net contracts per average active selling community decreased to 39.6 for the year ended October 31, 2022 compared to 55.3 in the prior year. The decrease was due to the decrease in net contracts discussed above.
- Active selling communities decreased slightly to 121 at October 31, 2022 compared 124 to October 31, 2021. Our total lots controlled increased to 31,518 at October 31, 2022 compared to 30,874 at October 31, 2021. However, given the slowdown in home sales, we are currently being more cautious about new land acquisitions and our lots controlled declined from the July 31, 2022 to October 31, 2022.
- Contract backlog decreased from 3,247 homes at October 31, 2021 to 2,186 homes at October 31, 2022, and the dollar value of contract backlog decreased to \$1.3 billion, a 22.6% decrease in dollar value compared to the prior year. The decreases were primarily attributed to a decrease in customer traffic and sales pace and an increase in cancellations due to current market uncertainty from buyers.

## Results of Operations

### Total Revenues

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

(Dollars in thousands)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
<b>Homebuilding:</b>			
Sale of homes	\$ 166,744	\$ 421,681	\$ 302,347
Land sales	(9,162)	8,459	7,694
Other revenues	1,944	(714)	(1,066)
Financial services	(20,152)	9,530	18,010
Total change	\$ 139,374	\$ 438,956	\$ 326,985
Total revenues percent change	5.0%	18.7%	16.2%

### Homebuilding: Sale of Homes

Sale of homes revenues increased \$166.7 million, or 6.2%, for the year ended October 31, 2022, increased \$421.7 million, or 18.7%, for the year ended October 31, 2021, and increased \$302.3 million, or 15.5%, for the year ended October 31, 2020 in each case as compared to the prior fiscal year. The increased revenues in fiscal 2022 were primarily due to the average sales price per home increasing to \$512,902 in fiscal 2022 from \$430,966 in fiscal 2021, partially offset by a 10.7% decrease in homes delivered. The decrease in deliveries in fiscal 2022 was primarily the result of a 2.4% reduction in community count, as well as the impact of the decrease in contracts per community in the last half of fiscal 2022. The increased revenues in fiscal 2021 were primarily due to the number of home deliveries increasing 9.1%, and the average sales price per home increasing to \$430,966 in fiscal 2021 from \$396,065 in fiscal 2020. The increase in deliveries in fiscal 2021 was primarily due to increased demand for new home construction during fiscal 2021. The increased revenues in fiscal 2020 were primarily due to the number of home deliveries increasing 15.0%, and the average sales price per home increasing to \$396,065 in fiscal 2020 from \$394,194 in fiscal 2019. The increase in deliveries in fiscal 2020 was primarily due to the increased demand for new home construction during the latter half of fiscal 2020. The increase in average sales price in fiscal 2022, 2021 and 2020 was primarily due to price increases in most of our communities as a result of a sustained surge in demand for new homes, which started in May 2020 and continued through the end of the second quarter of fiscal 2022. However, since the third quarter of fiscal 2022 we have experienced softening demand. For further detail on changes in segment revenues see "Homebuilding Operations by Segment" below. Land sales are ancillary to our homebuilding operations and are expected to continue in the future but may significantly fluctuate up or down. For further detail on land sales and other revenues, see the section titled "Homebuilding: Land Sales and Other Revenues" below.

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

(Dollars in thousands, except average sales price)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
<b>Consolidated total:</b>			
Housing revenues	\$ 2,840,454	\$ 2,673,710	\$ 2,252,028
Homes delivered	5,538	6,204	5,686
Average sales price	\$ 512,902	\$ 430,966	\$ 396,065
<b>Unconsolidated joint ventures:(1)</b>			
Housing revenues	\$ 343,617	\$ 345,793	\$ 432,602
Homes delivered	552	589	728
Average sales price	\$ 622,495	\$ 587,085	\$ 594,234

(1) Represents housing revenues and home deliveries for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 20 to the Consolidated Financial Statements for a further discussion of our joint ventures.

### Homebuilding: Land Sales and Other Revenues

Land sales and other revenues decreased \$7.2 million for the year ended October 31, 2022 compared to the prior year and increased \$7.7 million for the year ended October 31, 2021 compared to the prior year. Although we budget land sales, they are often dependent upon receiving approvals and entitlements, the timing of which can be uncertain. As a result, projecting the amount and timing of land sales is difficult. There were five land sales during the year ended October 31, 2022, compared to 11 in the prior year, resulting in an \$9.2 million decrease in land sales revenue. There were 11 land sales in the year ended October 31, 2021, compared to seven in the year ended October 31, 2020, resulting in a \$8.5 million increase in land sales revenue. Other revenues primarily include income from contract cancellations where the deposit has been forfeited due to contract terminations, which was not significant for any period.

### Homebuilding: Cost of Sales

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

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

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

(Dollars in thousands)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
Sale of homes	\$ 2,840,454	\$ 2,673,710	\$ 2,252,029
Cost of sales, excluding interest expense and land charges	2,131,208	2,091,016	1,837,332
Homebuilding gross margin, before cost of sales interest expense and land charges	709,246	582,694	414,697
Cost of sales interest expense, excluding land sales interest expense	85,198	82,181	74,174
Homebuilding gross margin, after cost of sales interest expense, before land charges	624,048	500,513	340,523
Land charges	14,076	3,630	8,813
Homebuilding gross margin	\$ 609,972	\$ 496,883	\$ 331,710
Homebuilding gross margin percentage	21.5%	18.6%	14.7%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	25.0%	21.8%	18.4%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	22.0%	18.7%	15.1%

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

	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
Sale of homes	100%	100%	100%
Cost of sales, excluding interest expense and land charges:			
Housing, land and development costs	67.0%	69.7%	72.1%
Commissions	3.4%	3.7%	3.7%
Financing concessions	1.1%	1.1%	1.4%
Overheads	3.5%	3.7%	4.4%
Total cost of sales, before interest expense and land charges	75.0%	78.2%	81.6%
Cost of sales interest	3.0%	3.1%	3.3%
Land charges	0.5%	0.1%	0.4%
Homebuilding gross margin percentage	21.5%	18.6%	14.7%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	25.0%	21.8%	18.4%
Homebuilding gross margin percentage, after cost of sales interest expense and before land charges	22.0%	18.7%	15.1%

We sell a variety of home types in various communities, each yielding a different gross margin. As a result, depending on the mix of communities delivering homes, consolidated gross margin may fluctuate up or down. Total homebuilding gross margin percentage increased to 21.5% for the year ended October 31, 2022 compared to 18.6% for the prior year. Total homebuilding gross margin percentage, before cost of sales interest expense and land charges increased to 25.0% for the year ended October 31, 2022 compared to 21.8% for the prior year. Total homebuilding gross margin percentage increased to 18.6% for the year ended October 31, 2021 compared to 14.7% for the prior year. Total homebuilding gross margin percentage, before cost of sales interest expense and land charges increased to 21.8% for the year ended October 31, 2021 compared to 18.4% for the prior year. The increases in gross margins were primarily due to increases in home sales prices across virtually all of our geographic markets, along with the mix of communities delivering compared to the prior year.

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

(In thousands)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
Land and lot sales	\$ 16,202	\$ 25,364	\$ 16,905
Cost of sales, excluding interest	5,855	19,180	11,154
Land and lot sales gross margin, excluding interest	10,347	6,184	5,751
Land and lot sales interest expense	42	1,919	156
Land and lot sales gross margin, including interest	\$ 10,305	\$ 4,265	\$ 5,595

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

**Homebuilding: Inventory Impairments and Land Option Write-offs**

Inventory impairments and land option write-offs reflects certain inventories we have either written off or written down to their estimated fair value totaling \$14.1 million, \$3.6 million and \$8.8 million in expense for the years ended October 31, 2022, 2021 and 2020, respectively. During the years ended October 31, 2022, 2021 and 2020, we wrote off residential land option, approval and engineering costs totaling \$5.7 million, \$1.6 million and \$6.8 million, respectively. Land option, approval and engineering costs are written off when a community's pro forma profitability is not projected to produce an adequate return on investment commensurate with the risk. If we determine an adequate return is not probable, we cancel the option, or when a community is redesigned, we write off the engineering costs related to the initial design. Such write-offs occurred across each of our segments in fiscal 2022, 2021 and 2020. Inventory impairments amounted to \$8.4 million, \$2.0 million and \$2.0 million for the years ended October 31, 2022, 2021 and 2020, respectively. It is difficult to predict future impairments, but if conditions in the overall housing market or a specific geographic market worsen in the future beyond our current expectations, there are future changes in our business strategy that significantly affect the key assumptions used in our projections of future cash flows, and/or there are material changes in any other items we consider in assessing recoverability, we may need to recognize additional inventory impairments and any such charges could be material.

In fiscal 2022, we walked away from 18.5% of all the lots we controlled under option contracts. The remaining 81.5% of our option lots are in communities that we believe remain economically feasible.

The following table represents lot option walk-aways by segment for the year ended October 31, 2022:

(Dollars in millions)	Dollar Amount of Walk Away	Number of Walk- Away Lots	% of Walk- Away Lots	Total Option Lots(1)	Walk- Away Lots as a % of Total Option Lots
Northeast	\$ 0.4	1,115	21.8%	13,410	8.3%
Southeast	0.9	1,171	22.9%	4,627	25.3%
West	4.4	2,835	55.3%	9,580	29.6%
Total	\$ 5.7	5,121	100.0%	27,617	18.5%

(1) Includes lots optioned at October 31, 2022 and lots optioned that the Company walked away from in the year ended October 31, 2022.

The following table represents impairments by segment for the year ended October 31, 2022:

(In millions)	Dollar Amount of Impairment	% of Impairments	Pre- Impairment Value(1)	% of Pre- Impairment Value
Northeast	\$ -	-%	\$ -	-%
Southeast	-	-%	-	-%
West	8.4	100.0%	10.6	79.2%
Total	\$ 8.4	100.0%	\$ 10.6	79.2%

(1) Represents carrying value, net of prior period impairments, if any, at the time of recording the applicable period's impairments.

**Homebuilding: Selling, General and Administrative**

Homebuilding selling, general and administrative ("SGA") expenses increased \$23.6 million to \$193.5 million for the year ended October 31, 2022 compared to the year ended October 31, 2021. The increase was due to an increase in total compensation expense as a result of an increase in headcount and bonuses related to positive overall market conditions and specific company performance. In addition, insurance costs increased as a result of higher premiums to obtain insurance during fiscal 2022, along with additional reserves for construction defect claims during fiscal 2022. SGA expenses increased \$8.6 million to \$169.9 million for the year ended October 31, 2021 as compared to the year ended October 31, 2020. The increase was primarily attributed to a decrease in volume of our unconsolidated joint venture deliveries, and an increase in compensation expense. The increase is related to the decrease in volume of our unconsolidated joint venture deliveries because we receive a payment for each delivery by our unconsolidated joint ventures intended to offset our SGA expenses incurred to manage the joint ventures. The increase in compensation expense was mostly attributed to our long-term incentive programs that forecasted to achieve above target metrics as a result of improved operating results and a higher stock price.

## Homebuilding: Key Performance Indicators

### Net Contracts Per Average Active Selling Community

Net contracts per average active selling community in fiscal 2022 were 39.6 compared to 55.3 in fiscal 2021, a 28.4% decrease in sales pace per community. Our reported level of sales contracts (net of cancellations) was impacted by a decrease in the pace of sales primarily in the West segment during fiscal 2022. As noted above, the current level of demand for new homes is significantly lower due to high levels of inflation, a sharp increase in mortgage rates and concerns about an economic recession.

### Contract Cancellation Rates

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

Quarter	2022	2021	2020	2019	2018
First	14%	17%	19%	24%	18%
Second	17%	16%	23%	19%	17%
Third	27%	16%	18%	19%	19%
Fourth	41%	15%	18%	21%	23%

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

Quarter	2022	2021	2020	2019	2018
First	8%	11%	14%	16%	12%
Second	9%	9%	20%	20%	15%
Third	8%	6%	21%	16%	14%
Fourth	13%	6%	14%	14%	13%

Most cancellations occur within the legal rescission period, which varies by state but is generally less than two weeks after the signing of the contract. Cancellations also occur as a result of a buyer's failure to qualify for a mortgage, which generally occurs during the first few weeks after signing. As shown in the tables above, contract cancellations over the past several years have been within what we believe to be a normal range, with fiscal 2021 and the first half of fiscal 2022 cancellation rates, in particular, being below historical norms as a result of strong market conditions. Fiscal 2020 had varying cancellation rates due to the COVID-19 pandemic and its effects. During the third and fourth quarters of fiscal 2022, due to the sharp decline in gross sales and an increase in cancellations, our cancellation rate as a percentage of gross sales increased significantly to 27% and 41%, respectively, which is higher than our historical normal range. Despite the increase in cancellations, due to our solid backlog position, our cancellation rate as a percentage of beginning backlog for the fourth quarter of fiscal 2022 was 13%, which is in line with our historical normal range. Market conditions remain uncertain and it is difficult to predict what cancellation rates will be in the future.

### Contract Backlog

Our consolidated contract backlog, excluding unconsolidated joint ventures, by segment is set forth below:

(Dollars in thousands)	October 31, 2022	October 31, 2021	October 31, 2020
<b>Northeast: (1)</b>			
Total contract backlog	\$ 464,173	\$ 675,031	\$ 542,743
Number of homes	850	1,285	1,283
<b>Southeast:</b>			
Total contract backlog	\$ 310,889	\$ 221,425	\$ 146,971
Number of homes	502	421	298
<b>West:</b>			
Total contract backlog	\$ 493,617	\$ 742,250	\$ 730,112
Number of homes	834	1,541	1,821
<b>Totals: (1)</b>			
Total consolidated contract backlog	\$ 1,268,679	\$ 1,638,706	\$ 1,419,826
Number of homes	2,186	3,247	3,402

(1) Reflects the reclassification of 14 homes and \$7.4 million of contract backlog as of October 31, 2021 from unconsolidated joint ventures to the consolidated Northeast segment. This is related to our acquisition of the remaining assets and liabilities from one of our unconsolidated joint ventures which was dissolved during the fourth quarter of fiscal 2021.

Contract backlog dollars decreased 22.6% as of October 31, 2022 compared to October 31, 2021, and the number of homes in backlog decreased 32.7% for the same period. The decrease in backlog dollars and number of homes for the year ended October 31, 2022 compared to the prior fiscal year was driven by the slower sales environment in the second half of fiscal 2022.

### Homebuilding Operations by Segment

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

(Dollars in thousands, except average sales price)	Years Ended October 31,				
		Variance 2022 Compared to 2021		Variance 2021 Compared to 2020	
	2022		2021		2020
<b>Northeast</b>					
Homebuilding revenue	\$ 1,085,081	\$ 213,990	\$ 871,091	\$ 49,635	\$ 821,456
Income before income taxes	\$ 177,406	\$ 74,510	\$ 102,896	\$ 39,760	\$ 63,136
Homes delivered	1,895	72	1,823	(7)	1,830
Average sales price	\$ 563,640	\$ 95,085	\$ 468,555	\$ 29,425	\$ 439,130
<b>Southeast</b>					
Homebuilding revenue	\$ 323,961	\$ 38,303	\$ 285,658	\$ 52,928	\$ 232,730
Income before income taxes	\$ 60,178	\$ 42,414	\$ 17,764	\$ 16,409	\$ 1,355
Homes delivered	650	48	602	54	548
Average sales price	\$ 497,709	\$ 38,893	\$ 458,816	\$ 34,851	\$ 423,965
<b>West</b>					
Homebuilding revenue	\$ 1,450,632	\$ (93,765)	\$ 1,544,397	\$ 327,311	\$ 1,217,086
Income before income taxes	\$ 207,519	\$ 9,176	\$ 198,343	\$ 113,744	\$ 84,599
Homes delivered	2,993	(786)	3,779	471	3,308
Average sales price	\$ 484,078	\$ 75,682	\$ 408,396	\$ 40,776	\$ 367,620

The increase in housing revenues during the year ended October 31, 2022, as compared to the year ended October 31, 2021, was primarily attributed to the increase in average sales price. Housing revenues in fiscal 2022 increased 6.2% on a combined basis across all of our homebuilding segments, and average sales price increased by 19.0% in all such segments combined, excluding unconsolidated joint ventures. Overall, in fiscal 2022 as compared to fiscal 2021, homes delivered decreased 10.7% across all our segments, excluding unconsolidated joint ventures. Homes delivered decreased in fiscal 2022 as compared to fiscal 2021 by 20.8% in the West, partially offset by a 3.9% and 8.0% increase in the Northeast and Southeast, respectively.

The increase in housing revenues during the year ended October 31, 2021, as compared to the year ended October 31, 2020, was primarily attributed to our increased deliveries, from the sustained strong homebuilding market and high demand for new home construction we saw begin in fiscal 2020, and by the increase in average sales price. Housing revenues in fiscal 2021 increased 18.7% on a combined basis across all of our homebuilding segments, and average sales price increased by 8.8% in all such segments combined, excluding unconsolidated joint ventures. Overall, in fiscal 2021 as compared to fiscal 2020, homes delivered increased 9.1% across all our segments, excluding unconsolidated joint ventures. Homes delivered increased in fiscal 2021 as compared to fiscal 2020 by 9.9% and 14.2% in the Southeast and West, respectively, partially offset by a 0.4% decrease in the Northeast.

### Homebuilding Results by Segment

*Northeast* – Homebuilding revenues increased 24.6% in fiscal 2022 compared to fiscal 2021 primarily due to a 3.9% increase in homes delivered and a 20.3% increase in average sales price. The increase in average sales price was mainly the result of price increases in certain communities.

Income before income taxes increased \$74.5 million to \$177.4 million, which was mainly due to the increase in homebuilding revenues discussed above, a \$9.7 million increase in income from unconsolidated joint ventures, and an increase in gross margin percentage, before cost of sales interest expense for fiscal 2022 compared to fiscal 2021.

Homebuilding revenues increased 6.0% in fiscal 2021 compared to fiscal 2020 primarily due to a 6.7% increase in average sales price, partially offset by a 0.4% decrease in homes delivered. The increase in average sales price was mainly the result of price increases in certain communities.

Income before income taxes increased \$39.8 million to \$102.9 million, which was mainly due to the increase in homebuilding revenues discussed above, a \$2.5 million decrease in SGA, a \$6.7 million decrease in inventory impairments and land option write offs, and an increase in gross margin percentage, before cost of sales interest expense for fiscal 2021 compared to fiscal 2020.

*Southeast* – Homebuilding revenues increased 13.4% in fiscal 2022 compared to fiscal 2021 primarily due to an 8.0% increase in homes delivered and an 8.5% increase in average sales price. The increase in average sales price was the result of new communities delivering higher priced, larger single-family homes in higher-end submarkets of the segment in fiscal 2022 compared to some communities delivering in fiscal 2021 that had lower priced, smaller single family homes in higher-end submarkets of the segment that are no longer delivering. Also impacting the increase in average sales price was price increases in certain communities.

Income before income taxes increased \$42.4 million to \$60.2 million in fiscal 2022 compared to fiscal 2021, mainly due to the increase in homebuilding revenue discussed above, a \$14.3 million increase in income from unconsolidated joint ventures and an increase in gross margin percentage, before cost of sales interest expense for fiscal 2022 compared to fiscal 2021.

Homebuilding revenues increased 22.7% in fiscal 2021 compared to fiscal 2020 primarily due to a 9.9% increase in homes delivered, an 8.2% increase in average sales price and a \$9.1 million increase in land sales and other revenue. The increase in average sales price was the result of new communities delivering higher priced, larger single-family homes in higher-end submarkets of the segment in fiscal 2021 compared to some communities delivering in fiscal 2020 that had lower priced, smaller single family homes and townhomes in lower-end submarkets of the segment that are no longer delivering. Also impacting the increase in average sales price was price increases in certain communities.

Income before income taxes increased \$16.4 million to \$17.8 million in fiscal 2021 compared to fiscal 2020, mainly due to the increase in homebuilding revenue discussed above, a \$1.2 million increase in income from unconsolidated joint ventures and an increase in gross margin percentage, before cost of sales interest expense for fiscal 2021 compared to fiscal 2020.

*West* – Homebuilding revenues decreased 6.1% in fiscal 2022 compared to fiscal 2021 primarily due to a 20.8% decrease in homes delivered, partially offset by a 18.5% increase in average sales price. The increase in average sales price was mainly the result of price increases in certain communities.

Income before income taxes increased \$9.2 million to \$207.5 million in fiscal 2022 compared to the prior year mainly due to an increase in gross margin percentage, before cost of sales interest expense for fiscal 2022 compared to the prior year, partially offset by a \$10.9 million increase in inventory impairments and land option write-offs.

Homebuilding revenues increased 26.9% in fiscal 2021 compared to fiscal 2020 primarily due to a 14.2% increase in homes delivered and an 11.1% increase in average sales price. The increase in average sales price was the result of new communities delivering higher priced, larger single family homes in higher-end submarkets of the segment in fiscal 2021 compared to some communities delivering in fiscal 2020 that had lower priced, smaller single-family homes in lower-end submarkets of the segment that are no longer delivering. Also impacting the increase in average sales price was price increases in certain communities.

Income before income taxes increased \$113.7 million to \$198.3 million in fiscal 2021 compared to the prior year mainly due to the increase in homebuilding revenues discussed above and an increase in gross margin, percentage before cost of sales interest expense for fiscal 2021 compared to the prior year, partially offset by a \$0.9 million increase in inventory impairments and land option write-offs.

### *Financial Services*

Financial services consist primarily of originating mortgages from our home buyers, selling such mortgages in the secondary market, and title insurance activities. We use mandatory investor commitments and forward sales of mortgage-backed securities ("MBS") to hedge our mortgage-related interest rate exposure on agency and government loans. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk associated with MBS forward commitments and loan sales transactions is managed by limiting our counterparties to investment banks, federally regulated bank affiliates and other investors meeting our credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments. For the years ended October 31, 2022, 2021 and 2020, our conforming conventional loan originations as a percentage of our total loans were 74.8%, 71.9% and 69.1%, respectively. FHA/VA loans represented 24.1%, 27.4%, and 29.8%, respectively, of our total loans. The remaining 1.1%, 0.7% and 1.1% of our loan originations represent loans which exceed conforming conventions. Realized gains and losses relating to the sale of mortgage loans are recognized when control passes to the buyer of the mortgage.

During the years ended October 31, 2022, 2021 and 2020, financial services provided \$19.1 million, \$37.6 million and \$32.1 million of income before income taxes, respectively. In fiscal 2022, financial services income before income taxes decreased \$18.5 million from the prior year primarily due to the decrease in homebuilding deliveries and a decrease in the basis point spread between the loans originated and the implied rate from our sale of the loans. In fiscal 2021, financial services income before income taxes increased \$5.5 million from the prior year due to the increase in homebuilding deliveries and an increase in the average price of the loans settled. Also impacting the increase in fiscal 2021 was the increase in the basis point spread between the loans originated and the implied rate from the sale of the loans. In the markets served by our wholly owned mortgage banking subsidiaries, 58.8%, 68.3% and 69.3% of our noncash home buyers obtained mortgages originated by these subsidiaries during the years ended October 31, 2022, 2021 and 2020, respectively.

### *Corporate General and Administrative*

Corporate general and administrative expenses include the operations at our headquarters in New Jersey. These expenses include payroll, stock compensation, facility costs and rent and other costs associated with our executive offices, legal expenses, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, national and digital marketing, construction services and administration of insurance, quality and safety. Corporate general and administrative expenses decreased \$4.1 million for the year ended October 31, 2022 compared to the year ended October 31, 2021 and increased \$26.1 million for the year ended October 31, 2021 compared to the year ended October 31, 2020. The decrease in expense for fiscal 2022 was primarily due to decreases in compensation expense, mainly related to the grants of phantom stock awards under our 2019 long-term incentive plan ("2019 LTIP"), for which expense is impacted by the change in our stock price each period. The Company's phantom shares issued under the 2019 LTIP are classified as liabilities under the applicable accounting guidance, which requires remeasurement of the awards at each reporting period. During fiscal 2022, the Company experienced a significant decrease in our stock price. As a result, the remeasurement generated a reduction in compensation expense. Conversely during fiscal 2021, the Company experienced a significant increase in our stock price. As a result, the remeasurement generated an increase in compensation expense for fiscal 2021 as compared to fiscal 2020. Had equity-classified shares been utilized for the 2019 LTIP, there would not have been an expense recognized related to the movement in our stock price in fiscal 2021. The increase in expense in fiscal 2021 was further impacted by increases in total variable compensation expenses related to performance-based compensation attributable to improved profitability.

### *Other Interest*

Other interest decreased \$30.4 million to \$47.3 million for the year ended October 31, 2022 compared to the year ended October 31, 2021 and decreased \$26.1 million to \$77.7 million for the year ended October 31, 2021 compared to the year ended October 31, 2020. Our assets that qualify for interest capitalization (inventory under development) are less than our debt, and therefore the portion of interest not covered by qualifying assets is directly expensed. In fiscal 2022, other interest decreased as a result of redeeming \$100.0 million in principal of our debt (as discussed below) and having less debt in excess of inventory due to an increase in our qualifying assets during the period. In fiscal 2021, the decrease was primarily due to a decrease in interest on nonrecourse mortgages, inventory financing arrangements and total notes payable as compared to the prior fiscal year.

### *(Loss) Gain on Extinguishment of Debt, Net*

On April 29, 2022, we redeemed \$100.0 million aggregate principal amount of the 7.75% Senior Secured 1.125 Lien Notes due 2026. The aggregate purchase price for this redemption was \$105.5 million, which included accrued and unpaid interest and which was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$6.8 million for the year ended October 31, 2022, net of the write-off of unamortized discounts, financing costs and fees.

On July 30, 2021, we redeemed in full all \$111.2 million aggregate principal amount of the 10.0% Senior Secured Notes due 2022. The aggregate purchase price for this redemption was \$111.7 million, which included accrued and unpaid interest. This redemption resulted in a loss on extinguishment of debt of \$0.3 million for the year ended October 31, 2021, net of the write-off of unamortized discounts, financing costs and fees.

On August 2, 2021, we redeemed in full all \$69.7 million aggregate principal amount of our 10.5% Senior Secured Notes due 2024. The aggregate purchase price for this redemption was \$71.9 million, which included accrued and unpaid interest. This redemption resulted in a loss on extinguishment of debt of \$3.4 million for the year ended October 31, 2021, net of the write-off of unamortized discounts, financing costs and fees.

### *Income from Unconsolidated Joint Ventures*

Income from unconsolidated joint ventures consists of our share of the earnings or losses of our joint ventures. Income from unconsolidated joint ventures increased \$20.2 million for the year ended October 31, 2022 from income of \$8.8 million for the year ended October 31, 2021 to income of \$29.0 million and decreased \$7.8 million for the year ended October 31, 2021 from income of \$16.6 million for the year ended October 31, 2020 to income of \$8.8 million. The increase in fiscal 2022 was primarily due to the recognition of our share of income from two of our unconsolidated joint ventures based on the joint venture partner achieving certain return hurdles, in compliance with the joint venture agreement, and as a result, the Company was able to recognize a higher share of the unconsolidated joint venture's income. The decrease in fiscal 2021 was primarily due to the recognition of our share of income from certain of our joint ventures delivering fewer homes in fiscal 2021 compared to fiscal 2020.

### *Income Taxes*

The total income tax expense for the year ended October 31, 2022 was \$94.3 million. The expense was primarily due to federal and state tax expense recorded as a result of our income before income taxes. The federal tax expense is not paid in cash as it is offset by the use of our existing net operating loss ("NOL") carryforwards. The total income tax benefit for the year ended October 31, 2021 was \$418.0 million. The benefit was primarily due to the reversal of a substantial portion of our valuation allowance previously recorded against our deferred tax assets ("DTAs"). The total income tax expense of \$4.5 million for the year ended October 31, 2020 was primarily related to state tax expense from income generated in states where we do not have NOL carryforwards to offset the current year income. In addition, the expense for the year ended October 31, 2020 was primarily related to state tax expense from the impact of a cancellation of debt income recorded for tax purposes but not for U.S. GAAP purposes, creating a permanent difference.

Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from NOL carryforwards and temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. If the combination of future years' income (or loss) and the reversal of the timing differences results in a loss, such losses can be carried forward to future years. In accordance with ASC 740, we evaluate our DTAs quarterly to determine if valuation allowances are required. ASC 740 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a "more-likely-than-not" standard.

As of October 31, 2022, we considered all available positive and negative evidence to determine whether, based on the weight of that evidence, our valuation allowance for our DTAs was appropriate in accordance with ASC 740. Based on our analysis, we determined that the current valuation allowance for deferred taxes was \$95.7 million as of October 31, 2022. See Note 11 to the Consolidated Financial Statements for further information.

Deferred tax assets, net, of \$344.8 million at October 31, 2022 decreased \$80.9 million from October 31, 2021, due to the utilization of our DTAs to offset tax expense on taxable income during fiscal 2022.

### Contractual Obligations

The following summarizes our aggregate contractual commitments at October 31, 2022:

(In thousands)	Payments Due by Period (1)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long term debt (2)(3)(4)	\$ 1,596,637	\$ 109,987	\$ 219,975	\$ 1,037,821	\$ 228,854
Operating leases (5)	23,753	8,075	10,697	4,981	-
<b>Total</b>	<b>\$ 1,620,390</b>	<b>\$ 118,062</b>	<b>\$ 230,672</b>	<b>\$ 1,042,802</b>	<b>\$ 228,854</b>

- (1) Total contractual obligations exclude our accrual for uncertain tax positions of \$0.3 million recorded for financial reporting purposes as of October 31, 2022 because we were unable to make reasonable estimates as to the period of cash settlement with the respective taxing authorities.
- (2) Represents our senior secured and unsecured term loan credit facilities, senior secured and senior notes and other notes payable and \$441.8 million of related interest payments for the life of such debt.
- (3) Does not include \$144.8 million of nonrecourse mortgages secured by inventory. These mortgages have various maturities spread over the next two to three years and are paid off as homes are delivered.
- (4) Does not include the mortgage warehouse lines of credit made under our Master Repurchase Agreements. See "Capital Resources and Liquidity." Also does not include our \$125.0 million Secured Credit Facility under which there were no borrowings outstanding as of October 31, 2022.
- (5) Lease payments exclude \$13.7 million of legally binding minimum lease payments for office leases signed but not yet commenced as of October 31, 2022.

We had outstanding letters of credit and performance bonds of \$6.0 million and \$234.9 million, respectively, at October 31, 2022, related primarily to our obligations to local governments to construct roads and other improvements in various developments. We do not believe that any such letters of credit or performance bonds are likely to be drawn upon.

### Capital Resources and Liquidity

#### Overview

Our total liquidity at October 31, 2022 was \$457.3 million, including \$326.2 million in homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility. This was above our target liquidity range of \$170.0 to \$245.0 million. We believe that our cash on hand together with available borrowings on our senior secured revolving credit facility will be sufficient through fiscal 2023 to finance our working capital requirements.

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

*Operating, Investing and Financing Cash Flow Activities*

We spent \$759.3 million on land and land development during fiscal 2022, along with \$105.5 million for the \$100.0 million partial redemption of our 7.75% Senior Secured 1.125 Lien Notes due 2026. After considering this land and land development spending, debt payment and all other operating activities, including revenue received from deliveries, we had \$89.5 million in cash provided from operations. During fiscal 2022, cash used in investing activities was \$2.2 million, primarily due to the acquisition of certain fixed assets, partially offset by distributions of capital from existing unconsolidated joint ventures. Cash used in financing activities was \$16.5 million during fiscal 2022, which in addition to the \$100.0 million debt redemption mentioned above, was due primarily to net payments related to our mortgage warehouse lines of credit, repurchases of common stock, and the payment of preferred dividends, partially offset by net proceeds from nonrecourse mortgage financings, land banking and model sale leaseback financings during the period. We intend to continue to use nonrecourse mortgages, model sale leasebacks, joint ventures, and, subject to covenant restrictions in our debt instruments, land banking programs as our business needs dictate.

Our cash uses during the years ended October 31, 2022 and 2021 were for operating expenses, land purchases, land deposits, land development, construction spending, debt payments, state income taxes, interest payments, preferred dividend payments, financing transaction costs, debt and equity repurchases, litigation matters and investments in unconsolidated joint ventures. During these periods, we provided for our cash requirements from available cash on hand, housing and land sales, financing transactions, model sale leasebacks, land banking transactions, unconsolidated joint ventures, financial service revenues and other revenues.

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

See “Inventories” below for a detailed discussion of our inventory position.

*Debt Transactions*

Senior notes and credit facilities balances as of October 31, 2022 and October 31, 2021, were as follows:

<b>(In thousands)</b>	<b>October 31, 2022</b>	<b>October 31, 2021</b>
Senior Secured Notes	\$ 853,093	\$ 953,093
Senior Notes	\$ 180,710	\$ 180,710
Senior Unsecured Term Loan Credit Facility due February 1, 2027	\$ 39,551	\$ 39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	\$ 81,498	\$ 81,498
Senior Secured Revolving Credit Facility (1)	\$ -	\$ -
Less: Net (discounts), premiums and unamortized debt issuance costs	\$ (8,305)	\$ (6,479)
<b>Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs</b>	<b>\$ 1,146,547</b>	<b>\$ 1,248,373</b>

(1) At October 31, 2022, provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. In the fourth quarter of fiscal 2022, we amended our Secured Credit Facility, which amendments became effective in the first quarter of fiscal 2023. As amended, the revolving loans thereunder have a maturity of June 30, 2024 and borrowings bear interest, at K. Hovnanian’s option, at either (i) a term secured overnight financing rate (subject to a floor of 1.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

Except for K. Hovnanian, the issuer of the notes and borrower under the Credit Facilities (as defined below), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding at October 31, 2022 (except for the 8.0% Senior Notes due 2027 which are not guaranteed by K. Hovnanian at Sunrise Trail III, LLC, a wholly-owned subsidiary of the Company) (collectively, the “Notes Guarantors”).

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together, the “Debt Instruments”) outstanding at October 31, 2022 do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase (including through exchanges) common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans made under the Unsecured Term Loan Facility (defined below) (the “Unsecured Term Loans”), loans made under the Secured Term Loan Facility (defined below) (the “Secured Term Loans”) and loans made under the Secured Credit Agreement (as defined below) (the “Secured Revolving Loans”) or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Unsecured Term Loans, Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of October 31, 2022, we believe we were in compliance with the covenants of the Debt Instruments.

If our consolidated fixed charge coverage ratio is less than 2.0 to 1.0, as defined in the applicable Debt Instrument, we are restricted from making certain payments, including dividends (in each such case, our secured debt leverage ratio must also be less than 4.0 to 1.0), and from incurring indebtedness other than certain permitted indebtedness and nonrecourse indebtedness. Beginning as of October 31, 2021, as a result of our improved operating results, our fixed coverage ratio was above 2.0 to 1.0 and our secured debt leverage ratio was below 4.0 to 1.0, therefore we were no longer restricted from paying dividends. As such, we made dividend payments of \$2.7 million to preferred shareholders in each quarter of fiscal 2022. As discussed above, market conditions remain uncertain and it is difficult to predict how strongly our business will be adversely impacted or if and when we may be restricted under our Debt Instruments from continuing to pay dividends on our preferred stock.

Under the terms of our Debt Instruments, we have the right to make certain redemptions and prepayments and, depending on market conditions, our strategic priorities and covenant restrictions, may do so from time to time (for example, we redeemed \$100 million aggregate principal amount of our senior secured notes during the second quarter of fiscal 2022). We also continue to actively analyze and evaluate our capital structure and explore transactions to simplify our capital structure and to strengthen our balance sheet, including those that reduce leverage, interest rates and/or extend maturities, and will seek to do so with the right opportunity. We may also continue to make debt or equity purchases and/or exchanges from time to time through tender offers, exchange offers, redemptions, open market purchases, private transactions, or otherwise, or seek to raise additional debt or equity capital, depending on market conditions and covenant restrictions.

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

See Note 9 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a further discussion of K. Hovnanian’s Credit Facilities, senior secured notes and senior notes, including information with respect to the collateral securing our Debt Instruments.

#### *Mortgages and Notes Payable*

We have nonrecourse mortgage loans for certain communities totaling \$144.8 million and \$125.1 million, net of debt issuance costs, at October 31, 2022 and October 31, 2021, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$418.9 million and \$448.5 million, respectively. The weighted-average interest rate on these obligations was 6.7% and 4.4% at October 31, 2022 and October 31, 2021, respectively, and the mortgage loan payments on each community primarily correspond to home deliveries.

Our wholly owned mortgage banking subsidiary, K. Hovnanian American Mortgage, LLC (“K. Hovnanian Mortgage”), originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are generally sold in the secondary mortgage market within a short period of time. In certain instances, we retain the servicing rights for a small amount of loans. K. Hovnanian Mortgage finances the origination of mortgage loans through various master repurchase agreements, which are recorded in “Financial services” liabilities on the Consolidated Balance Sheets. The loans are secured by the mortgages held for sale and are repaid when we sell the underlying mortgage loans to permanent investors. As of October 31, 2022 and 2021, we had an aggregate of \$94.3 million and \$134.9 million, respectively, outstanding under several of K. Hovnanian Mortgage’s short-term borrowing facilities.

See Note 8 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a further discussion of these agreements and facilities.

#### *Equity*

On September 1, 2022, our Board of Directors terminated our prior repurchase program and authorized a new program for the repurchase of up to \$50.0 million of our Class A common stock. Under the new repurchase program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date. During the year ended October 31, 2022, we repurchased 312,471 shares, with a market value of \$12.2 million, or \$39.12 per share, which were added to treasury stock. There were no shares purchased during the year ended October 31, 2021 or 2020. As of October 31, 2022, \$37.8 million of our Class A common stock is available to repurchase under our share repurchase program. (See Part II, Item 5 for information on equity purchases).

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on the Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the

Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A preferred stock. The depositary shares are listed on the NASDAQ Global Market under the symbol "HOVNP." In fiscal 2022 we paid dividends of \$10.7 million in the aggregate on the Series A preferred stock. In fiscal 2021 and 2020, we did not pay any dividends on the Series A preferred stock due to covenant restrictions in our debt instruments.

### *Unconsolidated Joint Ventures*

We have investments in unconsolidated joint ventures in various markets where our homebuilding operations are located. As of October 31, 2022 and 2021, we had investments in six and nine unconsolidated homebuilding joint ventures, respectively, and one unconsolidated land development joint venture for both periods. Our unconsolidated joint ventures had total combined assets of \$615.2 million and \$611.8 million at October 31, 2022 and 2021, respectively. Our investments in unconsolidated joint ventures totaled \$74.9 million and \$60.9 million at October 31, 2022 and 2021, respectively. The increase in investments of \$14.0 million during fiscal 2022 was primarily due to income recorded from one of our unconsolidated joint ventures, partially offset by partner distributions.

As of October 31, 2022 and 2021, our unconsolidated joint ventures had outstanding debt totaling \$34.9 and \$74.0 million, respectively, under separate construction loan agreements with different third-party lenders and affiliates of certain investment partners to finance land development activities. The outstanding debt is secured by the underlying property and related project assets and is non-recourse to us. Although we and our unconsolidated joint venture partners provide certain guarantees and indemnities to the lender, we do not have a guaranty or any other obligation to repay the outstanding debt or to support the value of the collateral underlying the outstanding debt. Our guarantees are limited to performance and completion of development activities, environmental indemnification and standard warranty and representation against fraud, misrepresentation and similar actions, including a voluntary bankruptcy. We do not believe that our existing exposure under our guaranty and indemnity obligations related to the outstanding debt is material.

We determined that none of our joint ventures were a variable interest entity. All our unconsolidated joint ventures were accounted for under the equity method because we did not have a controlling financial interest. See Notes 19 and 20 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further discussion of joint ventures and variable interest entities.

### *Inventories*

Total inventory, excluding consolidated inventory not owned, increased \$55.0 million during the year ended October 31, 2022, from October 31, 2021. Total inventory, excluding consolidated inventory not owned, increased in the Northeast by \$25.2 million, in the Southeast by \$1.1 million and in the West by \$28.7 million. These inventory fluctuations were primarily attributable to new land purchases and land development, partially offset by home deliveries and land sales during the period. In the last few years, we have been able to acquire new land parcels at prices that we believe will generate reasonable returns under current homebuilding market conditions. This trend may not continue in either the near or the long term. Substantially all homes under construction or completed and included in inventory at October 31, 2022 are expected to be closed during the next six to nine months.

Consolidated inventory not owned, which consists of options related to land banking and model financing, increased \$209.9 million during fiscal 2022. The increase was primarily due to an increase in land banking transactions along with an increase in the sale and leaseback of certain model homes during the period. We have land banking arrangements, whereby we sell land parcels to land bankers and they provide us an option to purchase back finished lots on a predetermined schedule. Because of our options to repurchase these parcels, for accounting purposes in accordance with ASC 606, these transactions are considered a financing rather than a sale. Our Consolidated Balance Sheet, at October 31, 2022, included inventory of \$260.1 million recorded to "Consolidated inventory not owned," with a corresponding amount of \$151.3 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions. In addition, we sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement, for accounting purposes in accordance with ASC 606, these sale and leaseback transactions are considered a financing rather than a sale. Therefore, our Consolidated Balance Sheet, at October 31, 2022, included inventory of \$48.5 million recorded to "Consolidated inventory not owned," with a corresponding amount of \$51.2 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from sale and leaseback transactions.

In the ordinary course of business, we enter into land and lot option purchase contracts in order to procure land or lots for the construction of homes. Lot option contracts enable us to control significant lot positions with a minimal capital investment and substantially reduce the risks associated with land ownership and development. At October 31, 2022, we had total cash deposits of \$180.8 million to purchase land and lots with a total purchase price of \$1.9 billion. Our financial exposure is generally limited to forfeiture of the nonrefundable deposits, letters of credit and other nonrefundable amounts incurred. We have no material third-party guarantees.

The following tables summarize home sites included in our total residential real estate:

	Total Home Sites	Contracted Not Delivered	Remaining Home Sites Available
<b>October 31, 2022:</b>			
Northeast	15,022	850	14,172
Southeast	4,721	502	4,219
West	12,057	834	11,223
Consolidated total	31,800	2,186	29,614
Unconsolidated joint ventures (1)	3,355	2,524	831
Owned	9,022	1,525	7,497
Optioned	22,496	379	22,117
Construction to permanent financing lots	282	282	-
Consolidated total	31,800	2,186	29,614
Lots controlled by unconsolidated joint ventures	3,355	2,524	831
<b>October 31, 2021:</b>			
Northeast	13,972	1,285	12,687
Southeast	3,779	421	3,358
West	13,492	1,541	11,951
Consolidated total	31,243	3,247	27,996
Unconsolidated joint ventures (1)	4,030	2,288	1,742
Owned	10,451	2,624	7,827
Optioned	20,423	254	20,169
Construction to permanent financing lots	369	369	-
Consolidated total	31,243	3,247	27,996
Lots controlled by unconsolidated joint ventures	4,030	2,288	1,742

(1) Represents active communities and home sites for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 20 to the Consolidated Financial Statements for a further discussion of our unconsolidated joint ventures.

The following table summarizes our started or completed unsold homes and models, excluding unconsolidated joint ventures, in active and substantially completed communities. The increase in unsold homes was primarily due to a conscious effort to increase our number of started unsold homes per community to provide buyers the opportunity to close quickly, and to lock in a lower mortgage rate, thereby making our homes more affordable and creating certainty as mortgage rates continued to rise through fiscal 2022.

	October 31, 2022			October 31, 2021		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast	92	32	124	42	41	83
Southeast	72	5	77	24	22	46
West	516	22	538	121	41	162
Total	680	59	739	187	104	291
Started or completed unsold homes and models per active selling communities(1)	5.6	0.5	6.1	1.5	0.8	2.3

(1) Active selling communities (which are communities that are open for sale with ten or more home sites available) were 121 and 124 at October 31, 2022 and 2021, respectively. This ratio does not include substantially completed communities, which are communities with less than ten home sites available.

#### Financial Services Assets and Liabilities

Financial services assets consist primarily of residential mortgage receivables held for sale of which \$108.6 million and \$149.2 million at October 31, 2022 and 2021, respectively, were being temporarily warehoused and are awaiting sale in the secondary mortgage market. The decrease in mortgage loans held for sale from October 31, 2021 was primarily related to a decrease in the volume of loans originated during the fourth quarter of fiscal 2022 compared to the fourth quarter of fiscal 2021, slightly offset by an increase in the average loan value.

Financial Services liabilities decreased \$46.6 million from \$182.2 million at October 31, 2021, to \$135.6 million at October 31, 2022. The decrease was primarily due to the decrease in amounts outstanding under our mortgage warehouse lines of credit, and directly correlated to the decrease in the volume of mortgage loans held for sale during the year.

## **Inflation**

The annual rate of inflation in the United States hit 7.7% in October 2022, nearly the highest in more than three decades, as measured by the Consumer Price Index ("CPI"). Inflation has a long-term effect, because increasing costs of land, materials and labor results in increasing the sale prices of our homes. Historically, these price increases have been commensurate with the general rate of inflation in our housing markets and have not had a significant adverse effect on the sale of our homes. A significant risk faced by the housing industry generally is that rising house construction costs, including land and interest costs, could substantially outpace increases in the income of potential purchasers and therefore limit our ability to raise home sale prices, which may result in lower gross margins.

Inflation has a lesser short-term effect, because we generally negotiate fixed-price contracts with many, but not all, of our subcontractors and material suppliers for the construction of our homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between three to 12 months. Construction costs for residential buildings represented approximately 57.4% of our homebuilding cost of sales for fiscal year 2022.

For the second half of fiscal year 2022, continued elevated inflation created economic uncertainty that led to a quick and sharp rise in interest rates, which in turn increased mortgage rates, and adversely impacted our home sales.

## **Critical Accounting Policies**

Management believes that the following critical accounting policies require its most significant judgments and estimates used in the preparation of the Consolidated Financial Statements:

*Inventories* - Inventories consist of land, land development, home construction costs, capitalized interest, construction overhead and property taxes. Construction costs are accumulated during the period of construction and charged to cost of sales under the specific identification method. Land, land development and common facility costs are allocated based on buildable acres to product types within each community, then charged to cost of sales equally based upon the number of homes to be constructed in each product type.

We record inventories on our Consolidated Balance Sheets at cost unless the inventory is determined to be impaired, in which case the inventory is written down to its fair value. Our inventories consist of the following three components: (1) sold and unsold homes and lots under development, which includes all construction, land, capitalized interest and land development costs related to started homes and land under development in our active communities; (2) land and land options held for future development or sale, which includes all costs related to land in our communities in planning or mothballed communities; and (3) consolidated inventory not owned, which consists of model homes financed with an investor and inventory related to land banking arrangements accounted for as financings.

We decide to mothball (or stop development on) certain communities when we determine that the current performance does not justify further investment at the time. When we decide to mothball a community, the inventory is reclassified on our Consolidated Balance Sheets from "Sold and unsold homes and lots under development" to "Land and land options held for future development or sale." We regularly review communities to determine if mothballing is appropriate.

We sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement, for accounting purposes in accordance with ASC 606, these sale and leaseback transactions are considered a financing rather than a sale.

We have land banking arrangements, whereby we sell our land parcels to the land banker and they provide us an option to purchase back finished lots on a predetermined basis, or quarterly schedule. Because of our options to repurchase these parcels, for accounting purposes, in accordance with ASC 606, these transactions are considered financings rather than sales.

The recoverability of inventories and other long-lived assets is assessed in accordance with ASC 360, "Property, Plant and Equipment." ASC 360 requires long-lived assets, including inventories, held for development to be evaluated for impairment based on undiscounted future cash flows of the assets at the lowest level for which there are identifiable cash flows. We evaluate impairment at the individual community level, which is the lowest level of discrete cash flows that are available.

We evaluate inventories of communities under development and held for future development for impairment when indicators of potential impairment are present. Indicators of impairment include, but are not limited to, decreases in local housing market values, decreases in gross margins or sales absorption rates, decreases in net sales prices (base sales price, net of sales incentives), and/or actual or projected operating or cash flow losses. The assessment of communities for indication of impairment is performed quarterly. As part of this process, we prepare detailed budgets for all of our communities at least semi-annually and identify those communities with a projected operating loss. For those communities with projected losses, we estimate the remaining undiscounted future cash flows and compare those to the carrying value of the community, to determine if the carrying value of the asset is recoverable.

The projected operating profits, losses, or cash flows of each community can be significantly impacted by our estimates of the following:

- future base selling prices;
- future home sales incentives;
- future home construction and land development costs; and
- future sales absorption pace and cancellation rates.

These estimates are dependent upon specific market conditions for each community. While we consider available information to determine what we believe to be our best estimates as of the end of a quarterly reporting period, these estimates are subject to change in future reporting periods as facts and circumstances change. Local market-specific conditions that may impact our estimates for a community include:

- the intensity of competition within a market, including available home sales prices and home sales incentives offered by our competitors;
- the current sales absorption pace for both our communities and competitor communities;
- community specific attributes, such as location, availability of lots in the market, desirability and uniqueness of our community, and the size and style of homes currently being offered;
- potential for alternative product offerings to respond to local market conditions;
- changes by management in the sales strategy of the community;
- current local market economic and demographic conditions and related trends of forecasts; and
- existing home inventory supplies, including foreclosures and short sales.

These and other local market-specific conditions that may be present are considered by management in preparing projection assumptions for each community. The sales objectives can differ between our communities, even within a given market. For example, facts and circumstances in a given community may lead us to price our homes with the objective of yielding a higher sales absorption pace, while facts and circumstances in another community may lead us to price our homes to minimize deterioration in our gross margins, although it may result in a slower sales absorption pace. In addition, the key assumptions included in our estimate of future undiscounted cash flows may be interrelated. For example, a decrease in estimated base sales price or an increase in homes sales incentives may result in a corresponding increase in sales absorption pace. Additionally, a decrease in the average sales price of homes to be sold and closed in future reporting periods for one community that has not been generating what management believes to be an adequate sales absorption pace may impact the estimated cash flow assumptions of a nearby community. Changes in our key assumptions, including estimated construction and development costs, sales absorption pace and selling strategies, could materially impact future cash flow and fair-value estimates. Due to the number of scenarios that would result from various changes in these factors, we do not believe it is possible to develop a sensitivity analysis with a level of precision that would be meaningful to an investor.

If the undiscounted cash flows are more than the carrying value of the community, then the carrying amount is recoverable, and no impairment is recorded. However, if the undiscounted cash flows are less than the carrying amount, then the community is deemed impaired and is written down to its fair value. We determine the estimated fair value of each community by calculating the present value of its estimated future cash flows at a discount rate commensurate with the risk of the respective community, or in limited circumstances, prices for land in recent comparable sale transactions, market analysis studies, which include the estimated price a willing buyer would pay for the land (other than in a forced liquidation sale), and recent bona fide offers received from outside third parties. The estimated future cash flow assumptions are virtually the same for both our recoverability and fair value assessments. Should the estimates or expectations used in determining estimated cash flows or fair value, including discount rates, decrease or differ from current estimates in the future, we may be required to recognize additional impairments related to current and future communities. The impairment of a community is allocated to each lot on a relative fair value basis.

From time to time, we write off deposits, engineering and capitalized interest costs when we determine that it is no longer probable that we will exercise options to buy land in specific locations or when we redesign communities and/or abandon certain engineering costs. In deciding not to exercise a land option, we take into consideration changes in market conditions, the timing of required land takedowns, the willingness of land sellers to modify terms of the land option contract (including timing of land takedowns), and the availability and best use of our capital, among other factors. The write-off is recorded in the period it is deemed not probable that the optioned property will be acquired.

Inventories held for sale are land parcels ready for sale in their current condition, where we have decided not to build homes but are instead actively marketing the land. Land held for sale is recorded at the lower of carrying amount or fair value less costs to sell. In determining fair value for land held for sale, management considers, among other things, prices for land in recent comparable sale transactions, market analysis studies, which include the estimated price a willing buyer would pay for the land (other than in a forced liquidation sale) and recent bona fide offers received from third parties.

*Unconsolidated Homebuilding and Land Development Joint Ventures* - Investments in unconsolidated homebuilding and land development joint ventures are accounted for under the equity method of accounting. Under the equity method, we recognize our proportionate share of earnings and losses earned by the joint venture upon the delivery of lots or homes to third parties. Our ownership interests in the joint ventures vary but our voting interests are generally 50% or less. In determining whether or not we must consolidate joint ventures where we are the managing member of the joint venture, we assess whether the other partners have specific rights to overcome the presumption of control by us as the manager of the joint venture. In most cases, the presumption is overcome because the joint venture agreements require that both partners agree on establishing the significant operating and capital decisions of the partnership, including budgets, in the ordinary course of business. The evaluation of whether or not we control a joint venture can require significant judgment. In accordance with ASC 323, "Investments - Equity Method and Joint Ventures," we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment below its carrying amount is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected cash flows.

*Warranty Costs and Construction Defect Reserves* - We accrue for warranty costs that are covered under our existing general liability and construction defect policy as part of our general liability insurance deductible. This accrual is expensed as selling, general, and administrative costs. Our insurance coverage generally includes deductibles either in the aggregate or on a per-claim basis, with the exception of workers' compensation insurance, which does not have a deductible. Reserves for estimated losses for construction defects, warranty and bodily injury claims have been established using the assistance of a third-party actuary. The third-party actuary uses our historical warranty and construction defect data to assist our management in estimating our unpaid claims, claim adjustment expenses and incurred but not reported claims reserves for the risks that we are assuming under the general liability and construction defect programs. The estimates include provisions for inflation, claims handling and legal fees. These estimates are subject to a high degree of variability due to uncertainties such as trends in construction defect claims relative to our markets and the types of products we build, claim settlement patterns, insurance industry practices and legal interpretations, among others. Because of the high degree of judgment required in determining these estimated liability amounts, actual future costs could differ significantly from our currently estimated amounts. In addition, we establish a warranty accrual for lower cost-related issues to cover home repairs, community amenities and land development infrastructure that are not covered under our general liability and construction defect policy. We accrue an estimate for these warranty costs as part of cost of sales at the time each home is closed and title and possession have been transferred to the homebuyer.

*Deferred Income Taxes* - Deferred income taxes are provided for temporary differences between amounts recorded for financial reporting and for income tax purposes. If the combination of future years' income (or loss) combined with the reversal of the timing differences results in a loss, such losses can be carried forward to future years to recover the deferred tax assets. The Company evaluates all significant available positive and negative evidence, including the existence of losses in recent years and its forecast of future taxable income, in assessing the need for a valuation allowance. The underlying assumptions the Company uses in forecasting future taxable income require significant judgment and consideration of the Company's recent performance. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences or carry-forwards are deductible or creditable. A valuation allowance is provided to offset deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In evaluating the exposures associated with our various tax filing positions, we recognize tax liabilities in accordance with ASC 740, for more likely than not exposures. We re-evaluate the exposures associated with our tax positions on a quarterly basis. This evaluation is based on factors such as changes in facts or circumstances, changes in tax law, new audit activity by taxing authorities and effectively settled issues. Determining whether an uncertain tax position is effectively settled requires judgment. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision. A number of years may elapse before a particular matter for which we have established a liability is audited and fully resolved or clarified. We adjust our liability for unrecognized tax benefits and income tax provision in the period in which an uncertain tax position is effectively settled, or the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a liability that is materially different from our current estimate. Any such changes will be reflected as increases or decreases to income tax expense in the period in which they are determined.

## Recent Accounting Pronouncements

See Note 3 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

## Safe Harbor Statement

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

- Changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn;
- Shortages in, and price fluctuations of, raw materials and labor, including due to geopolitical events, changes in trade policies, including the imposition of tariffs and duties on homebuilding materials and products, and related trade disputes with, and retaliatory measures taken by other countries;
- Fluctuations in interest rates and the availability of mortgage financing;
- Adverse weather and other environmental conditions and natural disasters;
- The seasonality of the Company’s business;
- The availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots;
- Reliance on, and the performance of, subcontractors;
- Regional and local economic factors, including dependency on certain sectors of the economy, and employment levels affecting home prices and sales activity in the markets where the Company builds homes;
- Increases in cancellations of agreements of sale;
- Increases in inflation;
- Changes in tax laws affecting the after-tax costs of owning a home;
- Legal claims brought against us and not resolved in our favor, such as product liability litigation, warranty claims and claims made by mortgage investors;
- Levels of competition;
- Utility shortages and outages or rate fluctuations;
- Information technology failures and data security breaches;
- Negative publicity;
- High leverage and restrictions on the Company’s operations and activities imposed by the agreements governing the Company’s outstanding indebtedness;
- Availability and terms of financing to the Company;
- The Company’s sources of liquidity;
- Changes in credit ratings;
- Government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment;
- Operations through unconsolidated joint ventures with third parties;
- Significant influence of the Company’s controlling stockholders;
- Availability of net operating loss carryforwards;
- Loss of key management personnel or failure to attract qualified personnel; and
- The outbreak and spread of COVID-19 and the measures that governments, agencies, law enforcement and/or health authorities implement to address it, as well as continuing macroeconomic effects of the pandemic.

Certain risks, uncertainties and other factors are described in detail in Part I, Item 1 “Business” and Part I, Item 1A “Risk Factors” in this Annual Report on Form 10-K as updated by our subsequent filings with the SEC. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Annual Report on Form 10-K.

**ITEM 7A**  
**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Substantially all of our long term-debt requires fixed interest payments and we have limited exposure to variable rates. In connection with our mortgage operations, mortgage loans held for sale and the associated mortgage warehouse lines of credit under our Master Repurchase Agreements are subject to interest rate risk; however, such obligations repriced frequently and are short-term in duration. In addition, we hedge the interest rate risk on mortgage loans by obtaining forward commitments from private investors. Accordingly, the interest rate risk from mortgage loans is not significant. We do not use financial instruments to hedge interest rate risk except with respect to mortgage loans. The following table sets forth as of October 31, 2022, our long-term debt obligations, principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair value ("FV").

<b>Long-Term Debt as of October 31, 2022 by Fiscal Year of Debt Maturity</b>									
<b>(Dollars in thousands)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Thereafter</b>	<b>Total</b>	<b>FV at 10/31/2022</b>	
<b>Long term debt(1)(2):</b>									
Fixed rate	\$ -	\$ -	\$ -	\$ 943,683	\$ 39,551	\$ 171,618	\$ 1,154,852	\$ 1,108,253	
Weighted-average interest rate	-%	-%	-%	10.10%	5.00%	7.37%	9.52%		

(1) Does not include the mortgage warehouse lines of credit made under our Master Repurchase Agreements.

(2) Does not include \$144.8 million of nonrecourse mortgages secured by inventory. These mortgages have various maturities spread over the next two to three years and are paid off as homes are delivered. Does not include our \$125.0 million Secured Credit Facility under which there were no borrowings outstanding as of October 31, 2022. In the fourth quarter of fiscal 2022, we amended our Secured Credit Facility, which amendments became effective in the first quarter of fiscal 2023. As amended, the revolving loans thereunder have a maturity of June 30, 2024 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term secured overnight financing rate (subject to a floor of 1.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

**ITEM 8**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Financial statements of Hovnanian Enterprises, Inc. and its consolidated subsidiaries are set forth herein beginning on page 55.

**ITEM 9**  
**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A**  
**CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2022. Based upon that evaluation and subject to the foregoing, the Company's chief executive officer and chief financial officer concluded that the design and operation of the Company's disclosure controls and procedures are effective to accomplish their objectives.

**Changes in Internal Control Over Financial Reporting**

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended October 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f).

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of October 31, 2022.

The effectiveness of the Company's internal control over financial reporting as of October 31, 2022 has been audited by Deloitte & Touche LLP, the Company's independent registered public accounting firm, as stated in their report below.



**ITEM 9B  
OTHER INFORMATION**

None.

**ITEM 9C  
DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

**PART III****ITEM 10  
DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The information called for by Item 10, except as set forth in this Item 10, is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 28, 2023, which will involve the election of directors.

**Information About Our Executive Officers**

Our executive officers 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.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Year Started With Company</b>
Ara K. Hovnanian	65	Chairman of the Board, Chief Executive Officer, President and Director of the Company	1979
J. Larry Sorsby	67	Executive Vice President, Chief Financial Officer and Director of the Company	1988
Brad G. O'Connor	52	Senior Vice President, Treasurer and Chief Accounting Officer	2004

Mr. Hovnanian has been Chief Executive Officer since July 1997 after being appointed President in 1988 and Executive Vice President in 1983. Mr. Hovnanian joined the Company in 1979 and has been a Director of the Company since 1981 and was Vice Chairman from 1998 through November 2009. In November 2009, he was elected Chairman of the Board following the death of Kevork S. Hovnanian, the chairman and founder of the Company and the father of Mr. Hovnanian.

Mr. Sorsby has been Chief Financial Officer of Hovnanian Enterprises, Inc. since 1996, and Executive Vice President since November 2000. Mr. Sorsby was also Senior Vice President from March 1991 to November 2000 and was elected as a Director of the Company in 1997. He is Chairman of the Board of Visitors for Urology at The Children's Hospital of Philadelphia ("CHOP") and also serves on the Foundation Board of Overseers at CHOP.

Mr. O'Connor joined the Company in April 2004 as Vice President and Associate Corporate Controller. In December 2007, he was promoted to Vice President, Corporate Controller and in May 2011, he also became Vice President, Chief Accounting Officer. In April 2020, Mr. O'Connor was promoted to Senior Vice President and Treasurer and continues in his role of Chief Accounting Officer. Prior to joining the Company, Mr. O'Connor was the Corporate Controller for Amershem Biosciences, and prior to that a Senior Manager in the audit practice of PricewaterhouseCoopers LLP.

**Code of Ethics and Corporate Governance Guidelines**

In more than 60 years of doing business, we have been committed to enhancing our shareholders' investment through conduct that is in accordance with the highest levels of integrity. Our Code of Ethics is a set of guidelines and policies that govern broad principles of ethical conduct and integrity embraced by our Company. Our Code of Ethics applies to our principal executive officer, principal financial officer, chief accounting officer, and all other associates of our Company, including our directors and other officers.

We also remain committed to fostering sound corporate governance principles. The Company's Corporate Governance Guidelines assist the Board of Directors of the Company (the "Board") in fulfilling its responsibilities related to corporate governance conduct. These guidelines serve as a framework, addressing the function, structure, and operations of the Board, for purposes of promoting consistency of the Board's role in overseeing the work of management.

We have posted our Code of Ethics on our web site at [www.khov.com](http://www.khov.com) under "Investor Relations/Corporate Governance." We have also posted our Corporate Governance Guidelines on our web site at [www.khov.com](http://www.khov.com) under "Investor Relations/Corporate Governance." A printed copy of the Code of Ethics and Guidelines is also available to the public at no charge by writing to: Hovnanian Enterprises, Inc., Attn: Human Resources Department, 90 Matawan Road, Fifth Floor, Matawan, NJ 07747 or calling corporate headquarters at 732-747-7800. We will post amendments to or waivers from our Code of Ethics that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange (the "NYSE") on our web site at [www.khov.com](http://www.khov.com) under "Investor Relations/Corporate Governance."

**Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee Charters**

We have adopted charters that apply to the Company's Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. We have posted the text of these charters on our web site at [www.khov.com](http://www.khov.com) under "Investor Relations/Corporate Governance." A printed copy of each charter is available at no charge to any shareholder who requests it by writing to: Hovnanian Enterprises, Inc., Attn: Human Resources Department, 90 Matawan Road, Fifth Floor, Matawan, NJ 07747 or calling corporate headquarters at 732-747-7800.

**ITEM 11**

## EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 28, 2023.

**ITEM 12  
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of October 31, 2022 with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

Plan Category	Number of Class A common stock securities to be issued upon exercise of outstanding options, warrants and rights (1)(4) (a)	Number of Class B common stock securities to be issued upon exercise of outstanding options, warrants and rights (1)(4) (a)	Weighted average exercise price of outstanding Class A common stock options, warrants and rights (2) (b)	Weighted average exercise price of outstanding Class B common stock options, warrants and rights (3) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in columns (a)) (5) (c)
Equity compensation plans approved by security holders:	725,360	624,932	\$ 44.64	\$ 53.21	558,566
Equity compensation plans not approved by security holders:	-	-	-	-	-
<b>Total</b>	<b>725,360</b>	<b>624,932</b>	<b>\$ 44.64</b>	<b>\$ 53.21</b>	<b>558,566</b>

(1) Includes the maximum number of shares that are potentially issuable under the market share units granted in fiscal years 2018 and 2019 under the Company's 2012 Amended and Restated Stock Incentive Plan, subject to vesting. Also includes the maximum number of shares that are potentially issuable under the performance share units granted in fiscal years 2020 through 2022 and the maximum number of shares that are potentially issuable under the 2021 and 2022 Long-Term Incentive programs under the Amended and Restated 2020 Hovnanian Enterprises, Inc. Stock Incentive Plan.

(2) Does not take into account 476,869 shares that may be issued upon the vesting of restricted stock and performance-based awards discussed in (1) above, nor 28,549 shares of restricted stock vested but not yet issued nor 118,983 shares of restricted stock deferred due to mandatory hold requirements, in each case, because they have no exercise price.

(3) Does not take into account 493,088 shares that may be issued upon the vesting of the performance-based awards discussed in (1) above nor 18,744 shares of restricted stock vested but not yet issued nor 47,500 shares of restricted stock deferred due to mandatory hold requirements, in each case, because they have no exercise price.

(4) These shares include 6,399 shares of Class A common stock and 12,000 shares of Class B common stock that may be issued upon exercise of outstanding options with exercise prices greater than \$150.00 per share.

(5) Under the Company's equity compensation plans, securities may be issued in either Class A common stock or Class B common stock.

**ITEM 13  
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information called for by Item 13 is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 28, 2023.

**ITEM 14  
PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Our independent registered public accounting firm is Deloitte & Touche LLP (PCAOB ID No. 34).

Further information called for by Item 14 is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 28, 2023.

**PART IV  
ITEM 15  
EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

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No schedules have been prepared because the required information of such 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.

**Exhibits:**

- 3(a) [Restated Certificate of Incorporation of the Registrant \(Incorporated by reference to Exhibits to Current Report of the Registrant on Form 8-K filed on March 29, 2019\).](#)
- 3(b) [Amended and Restated Bylaws of the Registrant \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2021 of the Registrant\).](#)
- 4(a) [Specimen Class A Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report of the Registrant on Form 8-K filed on March 29, 2019\).](#)
- 4(b) [Specimen Class B Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report of the Registrant on Form 8-K filed on March 29, 2019\).](#)
- 4(c) [Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock of Hovnanian Enterprises, Inc., dated July 12, 2005 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on July 13, 2005\).](#)
- 4(d) [Certificate of Designations of the Series B Junior Preferred Stock of Hovnanian Enterprises, Inc., dated August 14, 2008 \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2008 of the Registrant\).](#)
- 4(e) [Rights Agreement, dated as of August 14, 2008, between Hovnanian Enterprises, Inc. and National City Bank, as Rights Agent, which includes the Form of Certificate of Designation as Exhibit A, Form of Right Certificate as Exhibit B and the Summary of Rights as Exhibit C \(Incorporated by reference to Exhibits to the Registration Statement on Form 8-A of the Registrant filed August 14, 2008\).](#)
- 4(f) [Amendment No. 1 to Rights Agreement, dated as of January 11, 2018, between Hovnanian Enterprises, Inc. and Computershare Trust Company, N.A \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 11, 2018\).](#)
- 4(g) [Amendment No. 2 to Rights Agreement, dated as of January 18, 2021, between Hovnanian Enterprises, Inc. and Computershare Trust Company, N.A \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 19, 2021\).](#)
- 4(h) [Indenture, dated as of February 1, 2018, relating to the 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040, by and among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Trustee, including the forms of 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed February 2, 2018\).](#)
- 4(i) [Second Supplemental Indenture, dated as of May 30, 2018, relating to the 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed May 30, 2018\).](#)
- 4(j) [Sixth Supplemental Indenture, dated as of October 31, 2019, relating to the 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 4(k) [Indenture, dated as of November 5, 2014, relating to the 8.000% Senior Notes due 2027, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Trustee, including the form of 8.000% Senior Notes \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed November 5, 2014\).](#)
- 4(l) [Eighteenth Supplemental Indenture, dated as of October 17, 2019, relating to the 8.000% Senior Notes due 2027, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 4(m) [Nineteenth Supplemental Indenture, dated as of October 31, 2019, relating to the 8.000% Senior Notes due 2027, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 4(n) [Twentieth Supplemental Indenture, dated as of November 1, 2019, relating to 8.000% Senior Notes due 2027, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed November 5, 2019\).](#)
- 4(o) [Indenture, dated as of October 31, 2019, relating to the 7.75% Senior Secured 1.125 Lien Notes due 2026, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, including the form of 7.75% Senior Secured 1.125 Lien Notes due 2026 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 4(p) [First Supplemental Indenture, dated as of November 27, 2019, relating to the 7.75% Senior Secured 1.125 Lien Notes due 2026, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 3, 2019\).](#)

- 4(q) [Indenture, dated as of October 31, 2019, relating to the 10.5% Senior Secured 1.25 Lien Notes due 2026, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, including the form of 10.5% Senior Secured 1.25 Lien Notes due 2026 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 4(r) [First Supplemental Indenture, dated as of November 27, 2019, relating to the 10.5% Senior Secured 1.25 Lien Notes due 2026, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 3, 2019\).](#)
- 4(s) [Indenture, dated as of October 31, 2019, relating to the 11.25% Senior Secured 1.5 Lien Notes due 2026, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, including the form of 11.25% Senior Secured 1.5 Lien Notes due 2026 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 4(t) [First Supplemental Indenture, dated as of November 27, 2019, relating to the 11.25% Senior Secured 1.5 Lien Notes due 2026, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 3, 2019\).](#)
- 4(u) [Indenture, dated as of December 10, 2019, relating to the 10.000% Senior Secured 1.75 Lien Notes due 2025, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, including the form of 10.000% Senior Secured 1.75 Lien Notes due 2025 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 4(v) [Description of the Registrant's securities.](#)
- 4(w) [Fourth Supplemental Indenture, dated as of March 25, 2020, relating to the additional 11.25% Senior Secured 1.5 Lien Notes due 2026, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association, as Trustee and Collateral Agent, including the form of the additional 11.25% Senior Secured 1.5 Lien Notes due 2026 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 26, 2020\).](#)
- 10(a) [Second Amendment, dated as of August 19, 2022, to the Credit Agreement, dated as of October 31, 2019, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the subsidiary guarantors named therein, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on August 22, 2022\).](#)
- 10(b) [Security Agreement, dated as of October 31, 2019, relating to Senior Secured Revolving Credit Facility, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as Administrative Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(c) [\\$212,500,000 Credit Agreement, dated as of January 29, 2018, by and among K. Hovnanian Enterprises Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed February 2, 2018\).](#)
- 10(d) [First Amendment, dated as of May 14, 2018, to the \\$212,500,000 Credit Agreement, dated as of January 29, 2018, among Hovnanian Enterprises, Inc., K. Hovnanian Enterprises Inc., the subsidiary guarantors party thereto, the lenders party thereto and Wilmington Trust, National Association, as administrative agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed May 14, 2018\).](#)
- 10(e) [Second Amendment, dated as of October 31, 2019, to the \\$212,500,000 Credit Agreement, dated as of January 29, 2018, among Hovnanian Enterprises, Inc., K. Hovnanian Enterprises Inc., the subsidiary guarantors party thereto, the lenders party thereto and Wilmington Trust, National Association, as administrative agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended October 31, 2019 of the Registrant\).](#)
- 10(f) [Pledge Agreement, dated as of October 31, 2019, relating to Senior Secured Revolving Credit Facility, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto to Wilmington Trust, National Association, as Administrative Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(g) [Credit Agreement, dated as of December 10, 2019, relating to the 1.75 Lien Term Loans, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the subsidiary guarantors named therein, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)

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- 10(h)\* [Form of 2019 Long-Term Incentive Program Award Agreement \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended April 30, 2019 of the Registrant\).](#)
- 10(i)\* [Form of Non-Qualified Stock Option Agreement \(2012\) for Ara K. Hovnanian \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2012 the Registrant\).](#)
- 10(j)\* Management Agreement dated August 12, 1983, for the management of properties by K. Hovnanian Investment Properties, Inc. (Incorporated by reference to Exhibits to Registration Statement (No. 2-85198) on Form S-1 of the Registrant).
- 10(k)\* [Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc. \(Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended October 31, 2003 of the Registrant\).](#)
- 10(l)\* [Executive Deferred Compensation Plan as amended and restated on January 1, 2022.](#)
- 10(m)\* [Death and Disability Agreement between the Registrant and Ara K. Hovnanian, dated February 2, 2006 \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended January 31, 2006 of the Registrant\).](#)
- 10(n)\* [Form of 2018 Long-Term Incentive Program Award Agreement \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended January 31, 2018 of the Registrant\).](#)
- 10(o)\* [Form of Change in Control Severance Protection Agreement entered into with Brad G. O'Connor \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended January 31, 2012 of the Registrant\).](#)
- 10(p)\* [Form of Incentive Stock Option Agreement \(2014 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2014 of the Registrant\).](#)
- 10(q)\* [Form of Stock Option Agreement for Directors \(2014 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2014 of the Registrant\).](#)
- 10(r)\* [2012 Hovnanian Enterprises, Inc. Amended and Restated Stock Incentive Plan \(Incorporated by reference to Appendix A to the Registrant's definitive Proxy Statement on Schedule 14A filed on February 4, 2019\).](#)
- 10(s)\* [Form of 2020 Long-Term Incentive Program Award Agreement \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 of the Registrant\).](#)
- 10(t)\* [Form of Letter Agreement Relating to Change in Control Severance Protection Agreement entered into with Brad G. O'Connor \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended January 31, 2015 of the Registrant\).](#)
- 10(u)\* [Premium-Priced Incentive Stock Option Agreement Class A \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 of the Registrant\).](#)
- 10(v)\* [Premium-Priced Non-qualified Stock Option Agreement Class B \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 of the Registrant\).](#)

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- 10(w)\* [Incentive Stock Option Agreement Class A \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 of the Registrant\).](#)
- 10(x)\* [Restricted Share Unit Agreement Class A \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 of the Registrant\).](#)
- 10(y)\* [Director Restricted Share Unit Agreement Class A \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2016 of the Registrant\).](#)
- 10(z)\* [Market Share Unit Agreement Class A \(Pre-tax Profit Performance Vesting\) \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(aa)\* [Market Share Unit Agreement Class B \(Pre-tax Profit Performance Vesting\) \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(bb)\* [Market Share Unit Agreement Class A \(Stock Multiplier Performance Vesting\) \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(cc)\* [Market Share Unit Agreement Class B \(Stock Multiplier Performance Vesting\) \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(dd)\* [Market Share Unit Agreement Class A \(Community Count Performance Vesting\) \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(ee)\* [Market Share Unit Agreement Class B \(Community Count Performance Vesting\) \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(ff)\* [Premium-Priced Incentive Stock Option Agreement Class A \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(gg)\* [Premium-Priced Non-Qualified Stock Option Agreement Class B \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(hh)\* [Incentive Stock Option Agreement Class A \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(ii)\* [Non-Qualified Stock Option Agreement Class B \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 of the Registrant\).](#)
- 10(jj) [Trademark Security Agreement, dated as of October 31, 2019, relating to Senior Secured Revolving Credit Facility, made by K. HOV IP II, Inc. in favor of Wilmington Trust, National Association, as Administrative Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(kk) [1.125 Lien Security Agreement, dated as of October 31, 2019, relating to the 7.75% Senior Secured 1.125 Lien Notes due 2026, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as 1.125 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(ll) [1.125 Lien Pledge Agreement, dated as of October 31, 2019, relating to the 7.75% Senior Secured 1.125 Lien Notes due 2026, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto to Wilmington Trust, National Association, as 1.125 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(mm) [1.125 Lien Trademark Security Agreement, dated as of October 31, 2019, made by K. HOV IP II, Inc. in favor of Wilmington Trust, National Association, as 1.125 Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(nn) [1.25 Lien Security Agreement, dated as of October 31, 2019, relating to the 10.5% Senior Secured 1.25 Lien Notes due 2026, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as 1.25 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(oo) [1.25 Lien Pledge Agreement, dated as of October 31, 2019, relating to the 10.5% Senior Secured 1.25 Lien Notes due 2026, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto to Wilmington Trust, National Association, as the 1.25 Lien Collateral Agent and the Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(pp) [1.25 Lien Trademark Security Agreement, dated as of October 31, 2019, by K. HOV IP II, Inc. in favor of Wilmington Trust, National Association, as 1.25 Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)

- 10(qq) [1.5 Lien Security Agreement, dated as of October 31, 2019, relating to the 11.25% Senior Secured 1.5 Lien Notes due 2026, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as the 1.5 Lien Collateral Agent and the Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(rr) [1.5 Lien Pledge Agreement, dated as of October 31, 2019, relating to the 11.25% Senior Secured 1.5 Lien Notes due 2026, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto to Wilmington Trust, National Association, as the 1.5 Lien Collateral Agent and the Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(ss) [1.5 Lien Trademark Security Agreement, dated as of October 31, 2019, made by K. HOV IP II, Inc. in favor of Wilmington Trust, National Association, as 1.5 Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(tt) [1.75 Lien Security Agreement, dated as of December 10, 2019, relating to the 10.000% Senior Secured 1.75 Lien Notes due 2025 and the 1.75 Lien Term Loans, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as the 1.75 Lien Pari Passu Collateral Agent, the Joint First Lien Collateral Agent, Administrative Agent and 1.75 Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(uu) [1.75 Lien Pledge Agreement, dated as of December 10, 2019, relating to the 10.000% Senior Secured 1.75 Lien Notes due 2025 and the 1.75 Lien Term Loans, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as the 1.75 Lien Pari Passu Collateral Agent and the Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(vv) [1.75 Lien Trademark Security Agreement, dated as of December 10, 2019, made by K. HOV IP II, Inc. in favor of Wilmington Trust, National Association, as 1.75 Lien Pari Passu Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(ww) [First Lien Collateral Agency Agreement, dated as of October 31, 2019, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Administrative Agent, 1.125 Lien Collateral Agent, 1.25 Lien Collateral Agent, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(xx) [First Lien Intercreditor Agreement, dated as of October 31, 2019, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Administrative Agent, 1.125 Lien Trustee, 1.125 Lien Collateral Agent, 1.25 Lien Trustee, 1.25 Lien Collateral Agent, 1.5 Lien Trustee, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on October 31, 2019\).](#)
- 10(yy) [Joinder No. 1, dated as of December 10, 2019, to the First Lien Intercreditor Agreement and First Lien Collateral Agency Agreement, each dated as of October 31, 2019, among Wilmington Trust, National Association, as 1.75 Lien Trustee and 1.75 Pari Passu Lien Collateral Agent, and acknowledged by Wilmington Trust, National Association, as 1.75 Lien Collateral Agent, with acknowledged receipt by Wilmington Trust, National Association, as Senior Credit Agreement Administrative Agent, 1.125 Lien Trustee, 1.125 Lien Collateral Agent, 1.25 Lien Trustee, 1.25 Lien Collateral Agent, 1.5 Lien Trustee, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(zz) [Joinder No. 2, dated as of December 10, 2019, to the First Lien Intercreditor Agreement and First Lien Collateral Agency Agreement, each dated as of October 31, 2019, among Wilmington Trust, National Association, as Administrative Agent and 1.75 Pari Passu Lien Collateral Agent, with acknowledged receipt by the Senior Credit Agreement Administrative Agent, 1.125 Lien Trustee, 1.125 Lien Collateral Agent, 1.25 Lien Trustee, 1.25 Lien Collateral Agent, 1.5 Lien Trustee, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(aaa)\* [Form of 2020 Performance Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 of the Registrant\).](#)
- 10(bbb)\* [Form of 2020 Performance Share Unit Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 of the Registrant\).](#)
- 10(ccc)\* [Form of 2020 Associate Restricted Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 of the Registrant\).](#)
- 10(ddd)\* [Form of 2020 Associate Restricted Share Unit Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 of the Registrant\).](#)
- 10(eee)\* [Form of Director Restricted Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 of the Registrant\).](#)
- 10(fff)\* [Form of 2021 Performance Share Unit Agreement - EBIT \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 of the Registrant\).](#)
- 10(ggg)\* [Form of 2021 Performance Share Unit Agreement - EBIT \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 of the Registrant\).](#)
- 10(hhh)\* [Form of 2021 Performance Share Unit Agreement - Relative EBIT ROI \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 of the Registrant\).](#)
- 10(iii)\* [Form of 2021 Performance Share Unit Agreement - Relative EBIT ROI \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 of the Registrant\).](#)
- 10(jjj)\* [Form of Director Restricted Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 of the Registrant\).](#)
- 10(kkk)\* [Form of 2021 Long-Term Incentive Program Award Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 of the Registrant\).](#)
- 10(III)\* [Form of 2021 Long-Term Incentive Program Award Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 of the Registrant\).](#)

10(mmm)*	<a href="#">Form of 2022 Long-Term Incentive Program Award Agreement (Class A) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended January 31, 2022 of the Registrant).</a>
10(nnn)*	<a href="#">Form of 2022 Long-Term Incentive Program Award Agreement (Class B) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended January 31, 2022 of the Registrant).</a>
10(ooo)*	<a href="#">Second Amended and Restated 2020 Hovnanian Enterprises, Inc. Stock Incentive Plan (Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 29, 2022).</a>
10(ppp)*	<a href="#">Form of 2022 Performance Share Unit Agreement – EBIT (Class A) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(qqq)*	<a href="#">Form of 2022 Performance Share Unit Agreement – EBIT (Class B) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(rrr)*	<a href="#">Form of 2022 Performance Share Unit Agreement – EBIT ROI (Class A) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(sss)*	<a href="#">Form of 2022 Performance Share Unit Agreement – EBIT ROI (Class B) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(ttt)*	<a href="#">Form of 2022 Performance Share Unit Agreement – Land Light Performance Vesting (Class A) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(uuu)*	<a href="#">Form of 2022 Performance Share Unit Agreement – National Contracts Savings Performance Vesting (Class A) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(vvv)*	<a href="#">Form of 2022 Performance Share Unit Agreement – KHDS Savings Performance Vesting (Class A) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(www)*	<a href="#">Restricted Share Unit Agreement Class A (2022 grants and thereafter) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(xxx)*	<a href="#">Director Restricted Share Unit Agreement Class A (2022 grants and thereafter) (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2022 of the Registrant).</a>
10(yyy)*	<a href="#">Form of 2019 Associate Market Share Unit Agreement (Class A).</a>
10(zzz)*	<a href="#">Form of 2019 Associate Market Share Unit Agreement (Class A).</a>
10(aaaa)*	<a href="#">Form of 2019 Associate Market Share Unit Agreement - Pre-tax Profit Performance Vesting (Class A).</a>
10(bbbb)*	<a href="#">Form of 2019 Associate Market Share Unit Agreement - Pre-tax Profit Performance Vesting (Class B).</a>
10(cccc)*	<a href="#">Form of 2019 Associate Market Share Unit Agreement – Community Count Performance Vesting (Class A).</a>
10(dddd)*	<a href="#">Form of 2019 Associate Market Share Unit Agreement – Community Count Performance Vesting (Class B).</a>
10(eeee)*	<a href="#">Form of 2019 Associate Incentive Stock Option Agreement – Premium Priced (Class A).</a>
10(ffff)*	<a href="#">Form of 2019 Associate Non-Qualified Stock Option Agreement – Premium Priced (Class B).</a>
10(gggg)*	<a href="#">Form of 2019 Associate Incentive Stock Option Agreement (Class A).</a>
10(hhhh)*	<a href="#">Form of 2019 Associate Non-Qualified Stock Option Agreement (Class B).</a>
10(iiii)*	<a href="#">Form of 2019 Restricted Share Unit Agreement (Class A).</a>
10(jjjj)*	<a href="#">Form of 2019 Director Restricted Share Unit Agreement (Class A).</a>
10(kkkk)*	<a href="#">Form of 2016 Non-Qualified Stock Option Agreement (Class B).</a>
10(IIII)*	<a href="#">Form of 2021 Associate Restricted Share Unit Agreement (Class A).</a>
21	<a href="#">Subsidiaries of the Registrant.</a>
23(a)	<a href="#">Consent of Deloitte &amp; Touche LLP.</a>
31(a)	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</a>
31(b)	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</a>
32(a)	<a href="#">Section 1350 Certification of Chief Executive Officer.</a>
32(b)	<a href="#">Section 1350 Certification of Chief Financial Officer.</a>
101	The following financial information from our Annual Report on Form 10-K for the year ended October 31, 2022, formatted in inline Extensible Business Reporting Language (Inline XBRL): (i) the Consolidated Balance Sheets at October 31, 2022 and October 31, 2021, (ii) the Consolidated Statements of Operations for the years ended October 31, 2022, 2021 and 2020, (iii) the Consolidated Statements of Changes in Equity Deficit for years ended October 31, 2022, 2021 and 2020 (iv) the Consolidated Statements of Cash Flows for the years ended October 31, 2022, 2021 and 2020, and (v) the Notes to Consolidated Financial Statements.
104	Cover page from our Annual Report on Form 10-K for the year ended October 31, 2022, formatted in Inline XBRL (and contained in Exhibit 101). <i>* Management contracts or compensatory plans or arrangements.</i>

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs at the date they were made or at any other time.

**ITEM 16**  
**Form 10-K Summary**

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

HOVNIANIAN ENTERPRISES, INC.

By: /s/ ARA K. HOVNIANIAN  
Ara K. Hovnianian  
Chairman of the Board, Chief Executive  
Officer and President  
December 19, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on December 19, 2022, and in the capacities indicated.

<u>/s/ ARA K. HOVNIANIAN</u> Ara K. Hovnianian	Chairman of the Board, Chief Executive Officer, President and Director (Principal Executive Officer)
<u>/s/ J. LARRY SORSBY</u> J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)
<u>/s/ BRAD G. O'CONNOR</u> Brad G. O'Connor	Senior Vice President, Treasurer and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ EDWARD A. KANGAS</u> Edward A. Kangas	Chairman of Audit Committee and Director
<u>/s/ JOSEPH A. MARENGI</u> Joseph A. Marengi	Chairman of Compensation Committee and Director
<u>/s/ VINCENT PAGANO JR.</u> Vincent Pagano Jr.	Chairman of Corporate Governance and Nominating Committee and Director

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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<a href="#">Consolidated Balance Sheets at October 31, 2022 and 2021</a>	<a href="#">55</a>
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No schedules have been prepared because the required information of such 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.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Hovnanian Enterprises Inc. and subsidiaries (the "Company") as of October 31, 2022 and 2021, the related consolidated statements of operations, equity (deficit), and cash flows, for each of the three years in the period ended October 31, 2022, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of October 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2022 and 2021, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2022, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

### Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### *Valuation of inventory: sold and unsold homes and lots under development and land held for future development or sale – Refer to Notes 3 and 12 in the financial statements*

#### *Critical Audit Matter Description*

Sold and unsold homes and lots under development includes all construction, land, capitalized interest and land development costs related to started homes and land under development in the Company's active communities. Land held for future development or sale includes all costs related to land in the Company's communities in planning or mothballed communities. Inventories are recorded at cost unless the inventory is determined to be impaired, in which case the inventory is written down to its fair value. Management assesses inventory for indicators of impairment at the individual community level on a quarterly basis.

In conducting the review for impairment indicators, management evaluates certain qualitative and quantitative factors at the community levels. This includes, but is not limited to, decreases in local housing market values, decreases in gross margins or sales absorption rates, decreases in net sales prices (base sale price net of sale incentives), or actual or projected operating or cash flow losses.

Given the subjectivity in determining whether further impairment analysis is required for a community, management exercises significant judgment when evaluating indicators of impairment and the undiscounted cash flow analyses, as applicable. Accordingly, auditing management's judgments regarding the identification of impairment indicators and the key assumptions used in the undiscounted cash flow analyses involved especially subjective auditor judgment.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the Company's identification of impairment indicators and undiscounted cash flows analyses included the following, among others:

- We tested the effectiveness of controls over management's evaluation of the impairment indicator analysis, including controls over key inputs into the analysis such as management's forecast, and controls over management's review of any undiscounted cash flows analyses for communities identified with impairment indicators, if applicable.
- We evaluated management's process for identifying qualitative and quantitative impairment indicators by community and whether management appropriately considered such indicators.
- We conducted a completeness assessment to determine whether additional impairment indicators were present during the period that were not identified by management.
- We evaluated the reasonableness of the key assumptions and estimates used in management's undiscounted cash flow analyses by comparing the assumptions to historical information, if applicable. For any communities without historical information available, we compared management's estimates to historical estimates for similar communities, taking into consideration factors such as location, size, and type of community.
- We evaluated the significant assumptions used in the Company's evaluation of impairment by comparing the assumptions to actual recent home sales and closings in that community along with external analyst and industry reports for the respective geography.

/s/ DELOITTE & TOUCHE LLP

New York, New York  
December 19, 2022

We have served as the Company's auditor since 2009.

**HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

<b>(In thousands, except per share data)</b>	<b>October 31, 2022</b>	<b>October 31, 2021</b>
<b>ASSETS</b>		
Homebuilding:		
Cash and cash equivalents	\$ 326,198	\$ 245,970
Restricted cash and cash equivalents	13,382	16,089
Inventories:		
Sold and unsold homes and lots under development	1,058,183	1,019,541
Land and land options held for future development or sale	152,406	135,992
Consolidated inventory not owned	308,595	98,727
Total inventories	1,519,184	1,254,260
Investments in and advances to unconsolidated joint ventures	74,940	60,897
Receivables, deposits and notes, net	37,837	39,934
Property and equipment, net	25,819	18,736
Prepaid expenses and other assets	63,884	56,186
Total homebuilding	2,061,244	1,692,072
Financial services	155,993	202,758
Deferred tax assets, net	344,793	425,678
Total assets	<u>\$ 2,562,030</u>	<u>\$ 2,320,508</u>
<b>LIABILITIES AND EQUITY</b>		
Homebuilding:		
Nonrecourse mortgages secured by inventory, net of debt issuance costs	\$ 144,805	\$ 125,089
Accounts payable and other liabilities	439,952	426,381
Customers' deposits	74,020	68,295
Liabilities from inventory not owned, net of debt issuance costs	202,492	62,762
Senior notes and credit facilities (net of discounts, premiums and debt issuance costs)	1,146,547	1,248,373
Accrued interest	32,415	28,154
Total homebuilding	2,040,231	1,959,054
Financial services	135,581	182,219
Income taxes payable	3,167	3,851
Total liabilities	<u>2,178,979</u>	<u>2,145,124</u>
Equity:		
Hovnanian Enterprises, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value - authorized 100,000 shares; issued and outstanding 5,600 shares with a liquidation preference of \$140,000 at October 31, 2022 and October 31, 2021	135,299	135,299
Common stock, Class A, \$0.01 par value - authorized 16,000,000 shares; issued 6,159,886 shares at October 31, 2022 and 6,066,164 shares at October 31, 2021	62	61
Common stock, Class B, \$0.01 par value (convertible to Class A at time of sale) - authorized 2,400,000 shares; issued 733,374 shares at October 31, 2022 and 686,876 shares at October 31, 2021	7	7
Paid in capital - common stock	727,663	722,118
Accumulated deficit	(352,413)	(567,228)
Treasury stock - at cost - 782,901 shares of Class A common stock at October 31, 2022 and 470,430 shares at October 31, 2021; 27,669 shares of Class B common stock at October 31, 2022 and October 31, 2021	(127,582)	(115,360)
Total Hovnanian Enterprises, Inc. stockholders' equity	383,036	174,897
Noncontrolling interest in consolidated joint ventures	15	487
Total equity	<u>383,051</u>	<u>175,384</u>
Total liabilities and equity	<u>\$ 2,562,030</u>	<u>\$ 2,320,508</u>

See notes to consolidated financial statements.

**HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
<b>Revenues:</b>			
Homebuilding:			
Sale of homes	\$ 2,840,454	\$ 2,673,710	\$ 2,252,029
Land sales and other revenues	20,237	27,455	19,710
Total homebuilding	2,860,691	2,701,165	2,271,739
Financial services	61,540	81,692	72,162
Total revenues	2,922,231	2,782,857	2,343,901
<b>Expenses:</b>			
Homebuilding:			
Cost of sales, excluding interest	2,137,063	2,110,196	1,848,486
Cost of sales interest	85,240	84,100	74,330
Inventory impairments and land option write-offs	14,076	3,630	8,813
Total cost of sales	2,236,379	2,197,926	1,931,629
Selling, general and administrative	193,536	169,892	161,261
Total homebuilding expenses	2,429,915	2,367,818	2,092,890
Financial services	42,419	44,129	40,060
Corporate general and administrative	102,618	106,694	80,553
Other interest	47,343	77,716	103,801
Other expenses, net	2,421	1,740	1,096
Total expenses	2,624,716	2,598,097	2,318,400
(Loss) gain on extinguishment of debt, net	(6,795)	(3,748)	13,337
Income from unconsolidated joint ventures	29,033	8,849	16,565
Income before income taxes	319,753	189,861	55,403
State and federal income tax provision (benefit):			
State	34,199	(82,348)	4,475
Federal	60,064	(335,608)	-
Total income taxes	94,263	(417,956)	4,475
Net income	\$ 225,490	\$ 607,817	\$ 50,928
Less: preferred stock dividends	10,675	-	-
Net income available to common stockholders	\$ 214,815	\$ 607,817	\$ 50,928
<b>Per share data:</b>			
Basic:			
Net income per common share	\$ 30.31	\$ 87.50	\$ 7.48
Weighted-average number of common shares outstanding	6,437	6,287	6,189
Assuming dilution:			
Net income per common share	\$ 29.00	\$ 85.86	\$ 7.03
Weighted-average number of common shares outstanding	6,728	6,395	6,584

See notes to consolidated financial statements.

**HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)**

(In thousands, except share data)	A Common Stock		B Common Stock		Preferred Stock		Paid-In Capital	Accumulated Deficit	Treasury Stock	Noncontrolling Interest	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount					
<b>Balance, October 31, 2019</b>	5,503,297	\$ 60	622,694	\$ 7	5,600	\$ 135,299	\$ 715,504	\$ (1,225,973)	\$ (115,360)	\$ 687	\$ (489,776)
Stock options, amortization and issuances							387				387
Restricted stock amortization, issuances and forfeitures	14,310		1,796				2,219				2,219
Conversion of Class B to Class A common stock	2,273		(2,273)								-
Changes in noncontrolling interest in consolidated joint ventures										148	148
Net income								50,928			50,928
<b>Balance, October 31, 2020</b>	5,519,880	\$ 60	622,217	\$ 7	5,600	\$ 135,299	\$ 718,110	\$ (1,175,045)	\$ (115,360)	\$ 835	\$ (436,094)
Stock options, amortization and issuances	42,204		5,368				(41)				(41)
Restricted stock amortization, issuances and forfeitures	33,564	1	31,708				4,049				4,050
Conversion of Class B to Class A common stock	86		(86)								-
Changes in noncontrolling interest in consolidated joint ventures										(348)	(348)
Net income								607,817			607,817
<b>Balance, October 31, 2021</b>	5,595,734	\$ 61	659,207	\$ 7	5,600	\$ 135,299	\$ 722,118	\$ (567,228)	\$ (115,360)	\$ 487	\$ 175,384
Stock options, amortization and issuances	2,316						120				120
Preferred dividend declared (\$476.56 per share)								(10,675)			(10,675)
Restricted stock amortization, issuances and forfeitures	91,263	1	46,641				5,425				5,426
Conversion of Class B to Class A common stock	143		(143)								-
Changes in noncontrolling interest in consolidated joint ventures										(472)	(472)
Share repurchases	(312,471)								(12,222)		(12,222)
Net income								225,490			225,490
<b>Balance, October 31, 2022</b>	5,376,985	\$ 62	705,705	\$ 7	5,600	\$ 135,299	\$ 727,663	\$ (352,413)	\$ (127,582)	\$ 15	\$ 383,051

See notes to consolidated financial statements.

**HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 225,490	\$ 607,817	\$ 50,928
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,457	5,280	5,304
Stock-based compensation	10,276	7,668	2,779
Amortization of debt discounts, premiums and deferred financing costs	376	242	1,891
(Gain) loss on sale of property and assets	(34)	92	(81)
Income from unconsolidated joint ventures	(29,033)	(8,849)	(16,565)
Distributions of earnings from unconsolidated joint venture	3,990	9,709	35,387
Loss (gain) on extinguishment of debt	6,795	3,748	(13,337)
Noncontrolling interest in consolidated joint ventures	270	430	148
Inventory impairments and land option write-offs	14,076	3,630	8,813
(Increase) decrease in assets:			
Inventories	(279,000)	(35,514)	87,897
Receivables, deposits and notes	(2,632)	(3,016)	20,519
Origination of mortgage loans	(1,205,604)	(1,490,099)	(1,306,279)
Sale of mortgage loans	1,245,408	1,443,355	1,367,903
Deferred tax assets	80,885	(425,678)	-
Increase (decrease) in liabilities:			
Accounts payable, accrued interest and other liabilities	7,705	71,370	33,576
Customers' deposits	5,725	20,009	12,414
State income tax payable	(684)	19	1,531
Net cash provided by operating activities	<u>89,466</u>	<u>210,213</u>	<u>292,828</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property and assets	63	32	112
Purchase of property, equipment, and other fixed assets	(12,592)	(5,942)	(3,380)
Investment in and advances to unconsolidated joint ventures, net of reimbursements	35	(16,550)	(19,924)
Distributions of capital from unconsolidated joint ventures	10,342	31,456	25,332
Net cash (used in) provided by investing activities	<u>(2,152)</u>	<u>8,996</u>	<u>2,140</u>
<b>Cash flows from financing activities:</b>			
Proceeds from mortgages and notes	438,883	252,930	278,577
Payments related to mortgages and notes	(418,383)	(262,609)	(348,371)
Proceeds from model sale leaseback financing programs	35,030	7,606	19,200
Payments related to model sale leaseback financing programs	(14,857)	(23,677)	(23,646)
Proceeds from land bank financing programs	189,952	35,282	68,060
Payments related to land bank financing programs	(68,746)	(88,458)	(73,999)
Proceeds from partner distributions to consolidated joint venture	40	40	-
Payments for partner distributions to consolidated joint venture	(782)	(818)	-
Net (payments) proceeds related to mortgage warehouse lines of credit	(40,618)	47,744	(53,077)
Net borrowings from senior secured credit facility	-	-	125,000
Payments related to senior secured credit facility	-	-	(125,000)
Payments related to senior secured notes	(103,875)	(182,726)	(21,240)
Preferred dividends paid	(10,675)	-	-
Repurchases of common stock	(12,222)	-	-
Deferred financing costs from land banking financing programs and note issuances	(10,267)	(2,587)	(13,278)
Net cash used in financing activities	<u>(16,520)</u>	<u>(217,273)</u>	<u>(167,774)</u>
Net increase in cash and cash equivalents, and restricted cash and cash equivalents	70,794	1,936	127,194
Cash and cash equivalents, and restricted cash and cash equivalents balance, beginning of period	311,396	309,460	182,266
Cash and cash equivalents, and restricted cash and cash equivalents balance, end of period	<u>\$ 382,190</u>	<u>\$ 311,396</u>	<u>\$ 309,460</u>
<b>Supplemental disclosures of cash flows:</b>			
Cash paid during the period for:			
Interest, net of capitalized interest (see Note 3 to the Consolidated Financial Statements)	\$ 44,872	\$ 87,227	\$ 89,484
Income taxes	\$ 14,062	\$ 7,669	\$ 3,013
<b>Reconciliation of Cash, cash equivalents and restricted cash</b>			
Homebuilding: Cash and cash equivalents	\$ 326,198	\$ 245,970	\$ 262,489
Homebuilding: Restricted cash and cash equivalents	13,382	16,089	14,731
Financial Services: Cash and cash equivalents, included in financial services assets	6,468	5,819	4,854
Financial Services: Restricted cash and cash equivalents, included in financial services assets	36,142	43,518	27,386
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 382,190</u>	<u>\$ 311,396</u>	<u>\$ 309,460</u>

See notes to consolidated financial statements.



**Supplemental disclosure of noncash investing and financing activities:**

In the third and fourth quarters of fiscal 2021, we acquired the remaining assets of certain of our unconsolidated joint ventures, resulting in a \$26.6 million reduction in our investment in the joint ventures and a corresponding increase to inventory.

In accordance with the adoption of Accounting Standards Codification ("ASC") 842, "Leases" ("ASC 842"), in the first quarter of fiscal 2020, we recorded a beginning operating right-of-use lease asset ("ROU asset") of \$23.3 million and an operating right-of-use lease liability of \$24.4 million.

In the first quarter of fiscal 2020, K. Hovnanian, the issuer of our notes, completed a debt for debt exchange whereby it issued \$158.5 million aggregate principal amount of 10.0% 1.75 Lien Notes due 2025 in exchange for \$23.2 million in aggregate principal amount of its outstanding 10.0% Senior Secured Notes due 2022 and \$141.7 million in aggregate principal amount of its outstanding 10.5% Senior Secured Notes due 2024. K. Hovnanian also exchanged \$163.0 million in aggregate principal amount of its unsecured term loans for \$81.5 million in aggregate principal amount of 1.75 Lien secured term loans made under a new Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (see Note 9).

In the second quarter of fiscal 2020, K. Hovnanian, the issuer of the notes, completed a debt for debt exchange whereby it issued \$59.1 million aggregate principal amount of additional 11.25% 1.5 Lien Notes due 2026 in exchange for \$59.1 million aggregate principal amount of 10.0% Senior Secured Notes due 2022 Notes (see Note 9).

## 1. Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include Hovnanian Enterprises, Inc.'s ("HEI") accounts and those of all its consolidated subsidiaries, after elimination of all intercompany balances and transactions. HEI's fiscal year ends October 31. Noncontrolling interest represents the proportionate equity interest in a consolidated joint venture that is not 100% owned by HEI, directly or indirectly. One of HEI's subsidiaries owned a 99% controlling interest in a consolidated joint venture and therefore HEI was required to consolidate the joint venture within its Consolidated Financial Statements. The 1% that we did not own was accounted for as a noncontrolling interest. On October 31, 2022, HEI purchased the 1% interest from the equity partner, resulting in 100% ownership as of October 31, 2022. Another one of HEI's subsidiaries owns an 80% controlling interest in a consolidated joint venture, and therefore HEI is required to consolidate the joint venture within its Consolidated Financial Statements. The 20% that HEI does not own is accounted for as a noncontrolling interest.

## 2. Business

HEI conducts all of its homebuilding and financial services operations through its subsidiaries (references herein to the "Company," "we," "us" or "our" refer to HEI and its consolidated subsidiaries and should be understood to reflect the consolidated business of HEI's subsidiaries). Our operations consist of homebuilding, financial services and corporate. Historically, the Company had seven reportable segments consisting of six homebuilding segments (Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West) and its financial services segment. During the fourth quarter of fiscal 2022, we reevaluated our reportable segments as a result of changes in the business and our management thereof. In particular, we considered the fact that, since our segments were last established, the Company had exited the Minnesota, North Carolina and Tampa markets and is currently in the process of exiting the Chicago market. Applying the principles set forth under ASC 280 "Segment Reporting", including that our business trends are reflective of economic conditions in markets with general geographic proximity, we realigned our homebuilding operating segments and determined that, in addition to our financial services segment, we now had three reportable homebuilding segments comprised of (1) Northeast, (2) Southeast and (3) West. All prior period amounts related to the segment change have been retrospectively reclassified to conform to the new presentation. Homebuilding operations comprise the substantial part of our business, representing approximately 98% of consolidated revenues for the year ended October 31, 2022 and 97% for each of the years ended October 31, 2021 and 2020. HEI is a Delaware corporation, which through its subsidiaries, was building and selling homes in Arizona, California, Delaware, Florida, Georgia, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, South Carolina, Texas, Virginia and West Virginia, including in 121 consolidated active selling communities at October 31, 2022. Our homebuilding subsidiaries offer a wide variety of homes that are designed to appeal to first-time buyers, first and second-time move-up buyers, luxury buyers, active lifestyle buyers and empty nesters. Our financial services operations, which are a reportable segment, provide mortgage banking and title services to the homebuilding operations' customers. Our financial services subsidiaries do not typically retain or service the mortgages that they originate but rather sell the mortgages and related servicing rights to investors. Corporate primarily includes the operations of our corporate office whose primary purpose is to provide executive services, accounting, information services, human resources, management reporting, training, cash management, internal audit, risk management, and administration of process redesign, quality, and safety.

See Note 10 "Operating and Reporting Segments" for further disclosure of our reportable segments.

## 3. Summary of Significant Accounting Policies

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

*Income Recognition from Home and Land Sales* - We are primarily engaged in the development, construction, marketing and sale of residential single-family and multi-family homes where the planned construction cycle is less than 12 months. For these homes, in accordance with ASC 606, "Revenue from Contracts with Customers," revenue is recognized when control is transferred to the buyer, which occurs when the buyer takes title to and possession of the home and there is no continuing involvement. From time to time as market conditions warrant, the Company offers sales incentives which enable customers to reduce the base price of a home or to reduce the price of options. These incentives are recorded as a reduction of revenue in accordance with ASC 606.

*Income Recognition from Mortgage Loans* - Our financial services segment originates mortgages, primarily for our homebuilding customers. We use mandatory investor commitments and forward sales of mortgage-backed securities ("MBS") to hedge our mortgage-related interest rate exposure on agency and government loans.

We elected the fair value option for our mortgage loans held for sale in accordance with ASC 825, "Financial Instruments," which permits us to measure our loans held for sale at fair value. Management believes that the election of the fair value option for loans held for sale improves financial reporting because it mitigates volatility in reported earnings and by measuring the fair value of loans and the derivative instruments used to economically hedge them, we do not have to apply complex hedge accounting provisions.

Substantially all of the mortgage loans originated are sold within a short period of time in the secondary mortgage market on a servicing released, nonrecourse basis, although the Company remains liable for certain limited representations, such as fraud, and warranties related to loan sales. Mortgage investors could seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations and warranties. We have established reserves for probable losses.

*Cash and Cash Equivalents* - Cash equivalents include certificates of deposit, U.S. Treasury bills and government money-market funds with maturities of 90 days or less when purchased. Our cash balances are held at a few financial institutions and may, at times, exceed insurable amounts. We believe we help to mitigate this risk by depositing our cash in major financial institutions. At October 31, 2022 and 2021, \$13.4 million and \$15.7 million, respectively, of the total cash and cash equivalents was in cash equivalents and restricted cash equivalents.

*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. Our financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, receivables, deposits and notes, accounts payable and other liabilities, customers' deposits, mortgage loans held for sale, nonrecourse mortgages, mortgage warehouse lines of credit, senior secured revolving credit facility, accrued interest, senior secured term loan, senior unsecured term loan credit facility, senior secured notes and senior notes. The fair value of the senior secured revolving credit facility, senior secured term loan, senior unsecured term loan credit facility, senior secured notes and senior notes is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities or when not available, are estimated based on third-party broker quotes or management's estimate of the fair value based on available trades for similar debt instruments. The fair value of all of our other financial instruments approximates their carrying amounts.

*Inventories* - Inventories consist of land, land development, home construction costs, capitalized interest, construction overhead and property taxes. Construction costs are accumulated during the period of construction and charged to cost of sales under the specific identification method. Land, land development and common facility costs are allocated based on buildable acres to product types within each community, then charged to cost of sales equally based upon the number of homes to be constructed for each product type.

We record inventories on our Consolidated Balance Sheets at cost unless the inventory is determined to be impaired, in which case the inventory is written down to its fair value. Our inventories consist of the following components: (1) sold and unsold homes and lots under development, which includes all construction, land, capitalized interest and land development costs related to started homes and land under development in our active communities; (2) land and land options held for future development or sale, which includes all costs related to land in our communities in planning or mothballed communities; and (3) consolidated inventory not owned, which consists of model homes financed with an investor and inventory related to land banking arrangements accounted for as financings.

We decide to mothball (or stop development on) certain communities when we determine that the current performance does not justify further investment at the time. When we decide to mothball a community, the inventory is reclassified on our Consolidated Balance Sheets from "Sold and unsold homes and lots under development" to "Land and land options held for future development or sale." During fiscal 2022, we re-activated four previously mothballed communities. As of October 31, 2022 and 2021, the net book value associated with our two and six total mothballed communities were \$1.4 million and \$4.3 million, respectively, which was net of impairment charges recorded in prior periods of \$20.3 million and \$57.5 million, respectively.

We sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement, for accounting purposes in accordance with ASC 606, these sale and leaseback transactions are considered a financing rather than a sale. Our Consolidated Balance Sheets, at October 31, 2022 and 2021, included inventory of \$48.5 million and \$32.5 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$51.2 million and \$31.5 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

We have land banking arrangements, whereby we sell our land parcels to the land banker and they provide us an option to purchase back finished lots on a predetermined schedule. Because of our options to repurchase these parcels, for accounting purposes, in accordance with ASC 606, these transactions are considered a financing rather than a sale. Our Consolidated Balance Sheets, at October 31, 2022 and 2021, included inventory of \$260.1 million and \$66.2 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$151.3 million (net of debt issuance costs) and \$31.3 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

The recoverability of inventories and other long-lived assets is assessed in accordance with ASC 360, "Property, Plant and Equipment." ASC 360 requires long-lived assets, including inventories, held for development to be evaluated for impairment based on the undiscounted future cash flows of the assets at the lowest level for which there are identifiable cash flows. We evaluate impairment at the individual community level, which is the lowest level of discrete cash flows that are available.

We evaluate inventories of communities under development and held for future development for impairment when indicators of potential impairment are present. Indicators of impairment include, but are not limited to, decreases in local housing market values, decreases in gross margins or sales absorption rates, decreases in net sales prices (base sales price, net of sales incentives), or actual or projected operating or cash flow losses. The assessment of communities for indication of impairment is performed quarterly. As part of this process, we prepare detailed budgets for all of our communities at least semi-annually and identify those communities with a projected operating loss. For those communities with projected losses, we estimate the remaining undiscounted future cash flows and compare those to the carrying value of the community, to determine if the carrying value of the asset is recoverable.

The projected operating profits, losses or cash flows of each community can be significantly impacted by our estimates of the following:

- future base selling prices;
- future home sales incentives;
- future home construction and land development costs; and
- future sales absorption pace and cancellation rates.

These estimates are dependent upon specific market conditions for each community. While we consider available information to determine what we believe to be our best estimates as of the end of each quarter, these estimates are subject to change in future reporting periods as facts and circumstances change. Local market-specific conditions that may impact our estimates for a community include:

- the intensity of competition within a market, including available home sales prices and home sales incentives offered by our competitors;
- the current sales absorption pace for both our communities and competitor communities;
- community-specific attributes, such as location, availability of lots in the market, desirability and uniqueness of our community, and the size and style of homes currently being offered;
- potential for alternative product offerings to respond to local market conditions;
- changes by management in the sales strategy of the community;
- current local market economic and demographic conditions and related trends and forecasts; and
- existing home inventory supplies, including foreclosures and short sales.

These and other local market-specific conditions that may be present are considered by management in preparing projection assumptions for each community. The sales objectives can differ between our communities, even within a given market. For example, facts and circumstances in a given community may lead us to price our homes with the objective of yielding a higher sales absorption pace, while facts and circumstances in another community may lead us to price our homes to minimize deterioration in our gross margins, although it may result in a slower sales absorption pace. In addition, the key assumptions included in our estimate of future undiscounted cash flows may be interrelated. For example, a decrease in estimated base sales price or an increase in homes sales incentives may result in a corresponding increase in sales absorption pace. Additionally, a decrease in the average sales price of homes to be sold and closed in future reporting periods for one community that has not been generating what management believes to be an adequate sales absorption pace may impact the estimated cash flow assumptions of a nearby community. Changes in our key assumptions, including estimated construction and development costs, sales absorption pace and selling strategies, could materially impact future cash flow and fair value estimates. Due to the number of possible scenarios that would result from various changes in these factors, we do not believe it is possible to develop a sensitivity analysis with a level of precision that would be meaningful to an investor.

If the undiscounted cash flows are more than the carrying value of the community, then the carrying amount is recoverable, and no impairment is recorded. However, if the undiscounted cash flows are less than the carrying amount, then the community is deemed impaired and is written down to its fair value. We determine the estimated fair value of each community by calculating the present value of its estimated future cash flows at a discount rate commensurate with the risk of the respective community, or in limited circumstances, prices for land in recent comparable sale transactions, market analysis studies, which include the estimated price a willing buyer would pay for the land (other than in a forced liquidation sale), and recent bona fide offers received from third parties. The estimated future cash flow assumptions are virtually the same for both our recoverability and fair value assessments. Should the estimates or expectations used in determining estimated cash flows or fair value, including discount rates, decrease or differ from current estimates in the future, we may be required to recognize additional impairments related to current and future communities. The impairment of a community is allocated to each lot on a relative fair value basis.

From time to time, we write off deposits, approval, engineering and capitalized interest costs when we determine that it is no longer probable that we will exercise options to buy land in specific locations or when we redesign communities and/or abandon certain engineering costs. In deciding not to exercise a land option, we take into consideration changes in market conditions, the timing of required land takedowns, the willingness of land sellers to modify terms of the land option contract (including timing of land takedowns), and the availability and best use of our capital, among other factors. The write-off is recorded in the period it is deemed not probable that the optioned property will be acquired. In certain instances, we have been able to recover deposits and other pre-acquisition costs that were previously written off. These recoveries have not been significant in comparison to the total costs written off.

Inventories held for sale are land parcels ready for sale in their current condition, where we have decided not to build homes but are instead actively marketing the land. Land held for sale is recorded at the lower of carrying amount or fair value less costs to sell. There were no inventories held for sale at October 31, 2022 and 2021. In determining fair value for land held for sale, management considers, among other things, prices for land in recent comparable sale transactions, market analysis studies, which include the estimated price a willing buyer would pay for the land (other than in a forced liquidation sale) and recent bona fide offers received from third parties.

*Warranty Costs and Construction Defect Reserves* - We accrue for warranty costs that are covered under our existing general liability and construction defect policy as part of our general liability insurance deductible. This accrual is expensed as selling, general and administrative costs. For homes delivered in fiscal 2022 and 2021, our deductible under our general liability insurance was \$25.0 million and \$20.0 million, respectively, aggregate for construction defect and warranty claims. For bodily injury claims, our deductible per occurrence in fiscal 2022 and 2021 was \$0.5 million, up to a \$5.0 million limit in California and \$0.25 million, up to a \$5.0 million limit in all other states. Our aggregate retention for construction defect, warranty and bodily injury claims was \$25.0 million for fiscal 2022 and \$20.0 million for fiscal 2021. We do not have a deductible on our worker's compensation insurance. Reserves for estimated losses for construction defects, warranty and bodily injury claims have been established using the assistance of a third-party actuary. The third-party actuary uses our historical warranty and construction defect data to assist management in estimating our unpaid claims, claim adjustment expenses and incurred but not reported claims reserves for the risks that we are assuming under the general liability and construction defect programs. The estimates include provisions for inflation, claims handling and legal fees. These estimates are subject to a high degree of variability due to uncertainties such as trends in construction defect claims relative to our markets and the types of products we build, claim settlement patterns, insurance industry practices and legal interpretations, among others. Because of the high degree of judgment required in determining these estimated liabilities, actual future costs could differ significantly from our currently estimated amounts. In addition, we establish a warranty accrual for lower cost-related issues to cover home repairs, community amenities and land development infrastructure that are not covered under our general liability and construction defect policy. We accrue an estimate for these warranty costs as part of cost of sales at the time each home is closed and control is transferred to the buyer.

*Interest* - Interest attributable to properties under development during the land development and home construction period is capitalized and then expensed in cost of sales as the related inventories are sold. Interest that does not qualify for capitalization is expensed as incurred in “Other interest.”

Interest costs incurred, expensed and capitalized were as follows:

(In thousands)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
Interest capitalized at beginning of year	\$ 58,159	\$ 65,010	\$ 71,264
Plus interest incurred(1)	134,024	155,514	176,457
Less cost of sales interest expensed	(85,240)	(84,100)	(74,330)
Less other interest expensed(2)(3)	(47,343)	(77,716)	(103,801)
Less interest contributed to unconsolidated joint venture(4)	-	(3,667)	(4,580)
Plus interest acquired from unconsolidated joint venture(5)	-	3,118	-
Interest capitalized at end of year(6)	\$ 59,600	\$ 58,159	\$ 65,010

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

(2) Other interest expensed includes interest that does not qualify for interest capitalization because our assets that qualify for interest capitalization (inventory under development) do not exceed our debt, which amounted to \$28.6 million, \$57.1 million and \$61.9 million for the years ended October 31, 2022, 2021 and 2020, respectively. Other interest also includes interest on completed homes, land in planning and fully developed lots without homes under construction, which does not qualify for capitalization, and therefore, is expensed as incurred. This component of other interest was \$18.8 million, \$20.6 million and \$41.9 million for the years ended October 31, 2022, 2021 and 2020, respectively.

(3) Cash paid for interest, net of capitalized interest, is the sum of other interest expensed, as defined above, and interest paid by our mortgage and finance subsidiaries adjusted for the change in accrued interest on notes payable, which is calculated as follows:

(In thousands)	Year Ended		
	October 31, 2022	October 31, 2021	October 31, 2020
Other interest expensed	\$ 47,343	\$ 77,716	\$ 103,801
Interest paid by our mortgage and finance subsidiaries	1,790	2,102	2,165
(Increase) decrease in accrued interest	(4,261)	7,409	(16,482)
Cash paid for interest, net of capitalized interest	\$ 44,872	\$ 87,227	\$ 89,484

(4) Represents capitalized interest which was included as part of the assets contributed to joint ventures, as discussed in Note 20. There was no impact to the Consolidated Statement of Operations as a result of these transactions.

(5) Represents capitalized interest which was included as part of the assets purchased from joint ventures, as discussed in Note 20. There was no impact to the Consolidated Statement of Operations as a result of these transactions.

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

*Land Options* - Costs incurred to obtain options to acquire improved or unimproved home sites are capitalized. Such amounts are either included as part of the purchase price if the land is acquired or charged to “Inventory impairments and land option write-offs” if we determine we will not exercise the option. In accordance with ASC 810, “Consolidation,” we record costs associated with other options on the Consolidated Balance Sheets under “Land and land options held for future development or sale.” If the options are with variable interest entities (“VIEs”) and we are the primary beneficiary or the options have terms that require us to record it as financing, then we record the land under option on the Consolidated Balance Sheets under “Consolidated inventory not owned” with an offset under “Liabilities from inventory not owned.”

*Unconsolidated Homebuilding and Land Development Joint Ventures* - Investments in unconsolidated homebuilding and land development joint ventures are accounted for under the equity method. Under the equity method, we recognize our proportionate share of earnings and losses earned by the joint venture upon the delivery of lots or homes to third parties. Our ownership interests in the joint ventures vary but our voting interests are generally 50% or less. In determining whether or not we must consolidate joint ventures where we are the managing member of the joint venture, we assess whether the other partners have specific rights to overcome the presumption of control by us as the manager of the joint venture. In most cases, the presumption is overcome because the joint venture agreements require that both partners agree on establishing the significant operating and capital decisions of the partnership, including budgets, in the ordinary course of business. The evaluation of whether or not we control a joint venture can require significant judgment. In accordance with ASC 323, “Investments - Equity Method and Joint Ventures,” we assess our investments in unconsolidated joint ventures for recoverability quarterly, and if it is determined that a loss in value of the investment below its carrying amount is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture’s projected cash flows. This process requires significant management judgment and estimates. There were no write-downs for any periods presented.

*Debt Issuance Costs* - Costs associated with borrowings under our credit facilities and term loans and the issuance of senior secured and senior notes are capitalized and amortized over the term of each note's issuance. The capitalized costs are recorded as a contra liability within our debt balances, except for the revolving credit facility costs, which are recorded as a prepaid expense.

*Debt Issued at a Discount/Premium* - Debt issued at a discount or premium to the face amount is amortized utilizing the effective interest method over the term of the note and recorded as a component of "Other interest" in the Consolidated Statements of Operations.

*Advertising Costs* - Advertising costs are expensed as incurred, primarily to "Selling, general and administrative" homebuilding expense in the Consolidated Statements of Operations. During the years ended October 31, 2022, 2021 and 2020, advertising expenses totaled \$10.6 million, \$9.8 million and \$12.9 million, respectively.

*Deferred Income Taxes* - Deferred income taxes are provided for temporary differences between amounts recorded for financial reporting and income tax purposes. If the combination of future years' income (or loss) combined with the reversal of the timing differences results in a loss, such losses can be carried forward to future years to recover deferred tax assets. In accordance with ASC 740, "Income Taxes," we evaluate our deferred tax assets quarterly to determine if valuation allowances are required. ASC 740 requires an assessment of whether valuation allowances should be established based on the consideration of all available evidence using a "more-likely-than-not" standard.

In evaluating the exposures associated with our various tax filing positions, we recognize tax liabilities in accordance with ASC 740, for more-likely-than-not exposures. We re-evaluate the exposures associated with our tax positions on a quarterly basis. This evaluation is based on factors such as changes in facts or circumstances, changes in tax law, new audit activity by taxing authorities and effectively settled issues. Determining whether an uncertain tax position is effectively settled requires judgment. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision. A number of years may elapse before a particular matter for which we have established a liability is audited and fully resolved or clarified. We adjust our liability for unrecognized tax benefits and the income tax provision in the period in which an uncertain tax position is effectively settled, or the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a liability that is materially different from our current estimate. Any such changes will be reflected as increases or decreases to "Income taxes" in the Consolidated Statement of Operations for the period in which they are determined. In addition, we record interest and penalties related to unrecognized tax benefits as a component of income tax expense.

*Prepaid Expenses* - Prepaid expenses that relate to specific housing communities (model setup, architectural fees, homeowner warranty program fees, interest rate buydowns, etc.) are amortized to cost of sales as the applicable inventories are sold. All other prepaid expenses are amortized over a specific time period or as used and charged to overhead expense.

*Allowance for Credit Losses* - We regularly review our receivable balances, which are included in "Receivables, deposits and notes" on the Consolidated Balance Sheets, for collectability. These receivables include receivables from our insurance carriers, receivables from municipalities related to the development of utilities or other infrastructure, and other miscellaneous receivables. Allowances are maintained for potential credit losses based on historical experience, present economic conditions and other factors considered relevant by the Company. The allowance for credit losses were \$12.7 million and \$10.5 million at October 31, 2022 and 2021, respectively, which primarily related to allowances for receivables from municipalities and an allowance for a receivable for a prior year land sale. During fiscal 2022 and 2021, we recorded \$0.3 million and \$1.5 million, respectively, in recoveries. During fiscal 2022, we recorded \$2.5 million of additional reserves. There were no additional reserves recorded in fiscal 2021. There were no write-offs in fiscal 2022 and 2021.

*Stock-Based Compensation* - We account for our stock-based awards under ASC 718, "Compensation - Stock Compensation," which requires a fair-value based method to determine the estimated cost of an award. Compensation cost for stock-based awards is measured on the grant date. We recognize compensation cost for time-based awards ratably over the vesting period and performance-based awards ratably over the vesting period when it is probable that the stated performance target will be achieved. Forfeitures of stock-based awards are recognized as they occur.

*Per Share Calculations* - Basic earnings per share is computed by dividing net income (loss) (the "numerator") by the weighted-average number of common shares outstanding, adjusted for participating securities (the "denominator") for the period. Contingently issuable shares are included in basic earnings per share as of the date that all necessary vesting conditions have been satisfied. Computing diluted earnings per share is similar to computing basic earnings per share, except that the denominator is increased to include the dilutive effects of stock options and nonvested shares of restricted stock units ("RSUs"). Any stock options that have an exercise price greater than the average market price are considered to be anti-dilutive and are excluded from the diluted earnings per share calculation.

All shares that contain non-forfeitable rights to dividends or dividend equivalents that participate in undistributed earnings with common stock are considered participating securities and are included in earnings per share pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating securities according to dividends or dividend equivalents and participation rights in undistributed earnings in periods where we have net income.

*Recent Accounting Pronouncements* - In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 provides companies with optional expedients to ease the potential accounting burden on contracts affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. This guidance was effective for the Company beginning on March 12, 2020, and we may elect to apply the amendments prospectively from now through December 31, 2022. The Company is currently evaluating the potential impact, but we do not expect the adoption of this guidance to have material impact on our Consolidated Financial Statements.

#### 4. Leases

We rent certain office space for use in our operations. We assess each of these contracts to determine whether the arrangement contains a lease as defined by ASC 842. In order to meet the definition of a lease under ASC 842, the contractual arrangement must convey to us the right to control the use of an identifiable asset for a period of time in exchange for consideration. We recognize lease expense on a straight-line basis over the lease term and combine lease and non-lease components for all leases. Our office lease terms are typically from three to five years and generally contain renewal options. In accordance with ASC 842, our lease terms include renewals only to the extent that they are reasonably certain to be exercised. The exercise of these lease renewal options is generally at our discretion. In accordance with ASC 842, the lease liability is equal to the present value of the remaining lease payments while the ROU asset is based on the lease liability, subject to adjustment, such as for lease incentives. Our leases do not provide a readily determinable implicit interest rate and therefore, we must estimate our incremental borrowing rate. In determining the incremental borrowing rate, we consider the lease period and our collateralized borrowing rates.

Our lease population at October 31, 2022 is comprised of operating leases where we are the lessee, primarily for our corporate office and division offices. As allowed by ASC 842, we made an accounting policy election to not record leases with an initial term of 12 months or less on our Consolidated Balance Sheets.

Lease costs are included in our Consolidated Statements of Operations, primarily in "Selling, general and administrative" homebuilding expenses and payments on our lease liabilities are presented in the table below. Our short-term lease costs and sublease income are de minimis.

(In thousands)	Year Ended October 31,		
	2022	2021	2020
Operating lease costs	\$ 10,483	\$ 10,521	\$ 10,507
Cash payments on lease liabilities	\$ 9,605	\$ 9,598	\$ 9,257

ROU assets are classified within "Prepaid expenses and other assets" on our Consolidated Balance Sheets, while lease liabilities are classified within "Accounts payable and other liabilities." The Company recorded a net increase to both its ROU assets and lease liabilities of \$9.9 million as a result of new leases and lease renewals that commenced during the year ended October 31, 2022. The following table contains additional information about our leases:

(In thousands)	2022	2021
ROU assets	\$ 17,899	\$ 17,844
Lease liabilities	\$ 18,862	\$ 18,952
Weighted-average remaining lease term (in years)	3.5	3.1
Weighted-average discount rate	9.5%	9.4%

Maturities of our operating lease liabilities as of October 31, 2022 are as follows:

Fiscal Year Ended October 31,	(In thousands)
2023	\$ 8,075
2024	5,892
2025	4,805
2026	3,161
2027 and thereafter	1,820
Total operating lease payments (1)	23,753
Less: imputed interest	(4,891)
Present value of operating lease liabilities	\$ 18,862

(1) Lease payments exclude \$13.7 million of legally binding minimum lease payments for office leases signed but not yet commenced as of October 31, 2022. The related ROU asset and operating lease liability are not reflected on the Company's balance sheet as of October 31, 2022.

## 5. Property and Equipment

Homebuilding property and equipment consists of land and land improvements, buildings, building improvements, furniture and equipment used to conduct day-to-day business and are recorded at cost less accumulated depreciation.

Property and equipment balances as of October 31, 2022 and 2021 were as follows:

(In thousands)	October 31,	
	2022	2021
Land and land improvements	\$ 1,639	\$ 1,639
Buildings	9,497	9,497
Building improvements	22,220	15,478
Furniture	4,363	4,214
Equipment, including capitalized software	40,002	36,467
Property and equipment	77,721	67,295
Less: accumulated depreciation	(51,902)	(48,559)
Property and equipment, net	\$ 25,819	\$ 18,736

## 6. Restricted Cash and Customers' Deposits

Homebuilding "Restricted cash and cash equivalents" on the Consolidated Balance Sheets totaled \$13.4 million and \$16.1 million as of October 31, 2022 and 2021, respectively, which primarily consists of cash collateralizing our letter of credit agreements and facilities (see Note 9).

Financial services restricted cash and cash equivalents, which are included in "Financial services" assets on the Consolidated Balance Sheets, totaled \$36.1 million and \$43.5 million as of October 31, 2022 and 2021, respectively. Included in these balances were (1) financial services customers' deposits of \$29.7 million and \$40.7 million as of October 31, 2022 and 2021, respectively, which are subject to restrictions on our use, and (2) restricted cash under the terms of our mortgage warehouse lines of credit of \$6.4 million and \$2.8 million as of October 31, 2022 and 2021, respectively.

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

## 7. Mortgage Loans Held for Sale

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

At October 31, 2022 and 2021, \$92.5 million and \$136.5 million, respectively, of mortgage loans held for sale were pledged against our mortgage warehouse lines of credit (see Note 8). We may incur losses with respect to mortgages that were previously sold that are delinquent and which had underwriting defects, but only to the extent the losses are not covered by mortgage insurance or the resale value of the home. The reserves for these estimated losses are included in "Financial services" liabilities on the Consolidated Balance Sheets. At both October 31, 2022 and 2021, we had reserves specifically for 14 identified mortgage loans, as well as reserves for an estimate of future losses on mortgages sold but not yet identified to us.

The activity in our loan origination reserves in fiscal 2022 and 2021 was as follows:

(In thousands)	Year Ended October 31,	
	2022	2021
Loan origination reserves, beginning of period	\$ 1,632	\$ 1,458
Provisions for losses during the period	181	228
Adjustments to pre-existing provisions for losses from changes in estimates	(18)	(54)
Loan origination reserves, end of period	\$ 1,795	\$ 1,632

## 8. Mortgages

### *Nonrecourse*

We have nonrecourse mortgage loans for certain communities totaling \$144.8 million and \$125.1 million, net of debt issuance costs, at October 31, 2022 and 2021, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$418.9 million and \$448.5 million, respectively. The weighted-average interest rate on these obligations was 6.7% and 4.4% at October 31, 2022 and 2021, respectively, and the mortgage loan payments on each community primarily correspond to home deliveries.

### *Mortgage Loans*

K. Hovnanian Mortgage originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are generally sold in the secondary mortgage market within a short period of time. K. Hovnanian Mortgage finances the origination of mortgage loans through various master repurchase agreements, which are recorded in "Financial services" liabilities on the Consolidated Balance Sheets.

Our secured Master Repurchase Agreement with JPMorgan Chase Bank, N.A. ("Chase Master Repurchase Agreement") is a short-term borrowing facility that provides up to \$50.0 million through its maturity on July 31, 2023. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at an adjusted Secured Overnight Financing Rate ("SOFR"), which was 3.81% at October 31, 2022, plus the applicable margin of 2.25% to 2.375%. As of October 31, 2022 and 2021, the aggregate principal amount of all borrowings outstanding under the Chase Master Repurchase Agreement was \$14.1 million and \$45.7 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Customers Bank ("Customers Master Repurchase Agreement") which is a short-term borrowing facility that provides up to \$50.0 million through its maturity on March 8, 2023. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable daily or as loans are sold to permanent investors on outstanding advances at the current Bloomberg Short Term Bank Yield Index ("BSBY") rate, plus the applicable margin ranging from 2.125% to 4.5% based on the type of loan and the number of days outstanding on the warehouse line. As of October 31, 2022 and 2021, the aggregate principal amount of all borrowings outstanding under the Customers Master Repurchase Agreement was \$43.1 million and \$40.5 million, respectively.

K. Hovnanian Mortgage also has a secured Master Repurchase Agreement with Comerica Bank ("Comerica Master Repurchase Agreement") which was amended on August 8, 2022 to extend the maturity date and is a short-term borrowing facility through its maturity on July 7, 2023. The Comerica Master Repurchase Agreement provides up to \$60.0 million on the 15th day of the last month of the Company's fiscal quarters and reverts back to up to \$50.0 million 30 days thereafter. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly at the daily adjusting BSBY rate, subject to a floor of 0.50%, plus the applicable margin of 1.875% or 3.25% based upon the type of loan. As of October 31, 2022 and 2021, the aggregate principal amount of all borrowings outstanding under the Comerica Master Repurchase Agreement was \$37.1 million and \$48.7 million, respectively.

The Chase Master Repurchase Agreement, Customers Master Repurchase Agreement and Comerica Master Repurchase Agreement (together, the "Master Repurchase Agreements") require K. Hovnanian Mortgage to satisfy and maintain specified financial ratios and other financial condition tests. Because of the extremely short period of time mortgages are held by K. Hovnanian Mortgage before the mortgages are sold to investors (generally a period of a few weeks), the immateriality to us on a consolidated basis of the size of the Master Repurchase Agreements, the levels required by these financial covenants, our ability based on our immediately available resources to contribute sufficient capital to cure any default, were such conditions to occur, and our right to cure any conditions of default based on the terms of the applicable agreement, we do not consider any of these covenants to be substantive or material. As of October 31, 2022, we believe we were in compliance with the covenants under the Master Repurchase Agreements.

## 9. Senior Notes and Credit Facilities

Senior notes and credit facilities balances as of October 31, 2022 and October 31, 2021, were as follows:

(In thousands)	October 31, 2022	October 31, 2021
<b>Senior Secured Notes:</b>		
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025	\$ 158,502	\$ 158,502
7.75% Senior Secured 1.125 Lien Notes due February 15, 2026	250,000	350,000
10.5% Senior Secured 1.25 Lien Notes due February 15, 2026	282,322	282,322
11.25% Senior Secured 1.5 Lien Notes due February 15, 2026	162,269	162,269
<b>Total Senior Secured Notes</b>	<b>\$ 853,093</b>	<b>\$ 953,093</b>
<b>Senior Notes:</b>		
8.0% Senior Notes due November 1, 2027 (1)	\$ -	\$ -
13.5% Senior Notes due February 1, 2026	90,590	90,590
5.0% Senior Notes due February 1, 2040	90,120	90,120
<b>Total Senior Notes</b>	<b>\$ 180,710</b>	<b>\$ 180,710</b>
Senior Unsecured Term Loan Credit Facility due February 1, 2027	\$ 39,551	\$ 39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	\$ 81,498	\$ 81,498
Senior Secured Revolving Credit Facility (2)	\$ -	\$ -
<b>Subtotal senior notes and credit facilities</b>	<b>\$ 1,154,852</b>	<b>\$ 1,254,852</b>
Net (discounts) premiums	\$ 4,079	\$ 10,769
Unamortized debt issuance costs	\$ (12,384)	\$ (17,248)
<b>Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs</b>	<b>\$ 1,146,547</b>	<b>\$ 1,248,373</b>

(1) \$26.0 million of 8.0% Senior Notes due 2027 (the "8.0% 2027 Notes") are owned by a wholly owned consolidated subsidiary of HEI. Therefore, in accordance with U.S. GAAP, such notes are not reflected on the Consolidated Balance Sheets of HEI.

(2) At October 31, 2022, provides for up to \$125.0 million in aggregate senior secured first lien revolving loans. In the fourth quarter of fiscal 2022, we amended our Secured Credit Facility, which amendments became effective in the first quarter of fiscal 2023. As amended, the revolving loans thereunder have a maturity of June 30, 2024 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term secured overnight financing rate (subject to a floor of 1.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

As of October 31, 2022, future maturities of our borrowings were as follows (in thousands):

Fiscal Year Ended October 31, (1)	
2023	\$ -
2024	-
2025	-
2026	943,683
2027	39,551
Thereafter	171,618
<b>Total</b>	<b>\$ 1,154,852</b>

(1) Does not include our \$125.0 million Senior Secured Revolving Credit Facility under which there were no borrowings outstanding as of October 31, 2022.

## General

Except for K. Hovnanian, the issuer of the notes and borrower under the Credit Facilities (as defined below), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding (except for the 8.0% 2027 Notes which are not guaranteed by K. Hovnanian at Sunrise Trail III, LLC, a wholly-owned subsidiary of the Company) at October 31, 2022 (collectively, the "Notes Guarantors").

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together, the "Debt Instruments") outstanding at October 31, 2022 do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase (including through exchanges) common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans made under the Unsecured Term Loan Facility (defined below) (the "Unsecured Term Loans"), loans made under the Secured Term Loan Facility (defined below) (the "Secured Term Loans") and loans made under the Secured Credit Agreement (as defined below) (the "Secured Revolving Loans") or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Unsecured Term Loans, Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of October 31, 2022, we believe we were in compliance with the covenants of the Debt Instruments.

If our consolidated fixed charge coverage ratio is less than 2.0 to 1.0, as defined in the applicable Debt Instrument, we are restricted from making certain payments, including dividends (in each such case, our secured debt leverage ratio must also be less than 4.0 to 1.0), and from incurring indebtedness other than certain permitted indebtedness and nonrecourse indebtedness. Beginning as of October 31, 2021, as a result of our improved operating results, our fixed coverage ratio was above 2.0 to 1.0 and our secured debt leverage ratio was below 4.0 to 1.0, therefore we were no longer restricted from paying dividends. As such, we made dividend payments of \$2.7 million to preferred shareholders in each quarter of fiscal 2022.

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

### Fiscal 2022

On April 29, 2022, K. Hovnanian redeemed \$100.0 million aggregate principal amount of its 7.75% Senior Secured 1.125 Lien Notes due 2026 (the "1.125 Lien Notes"). The aggregate purchase price for this redemption was \$105.5 million, which included accrued and unpaid interest and which was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$6.8 million for the year ended October 31, 2022, net of the write-off of unamortized financing costs and fees. The loss from the redemption is included in the Consolidated Statement of Operations as "(Loss) gain on extinguishment of debt, net".

On August 19, 2022, the Company, K. Hovnanian, and other subsidiaries of the Company as guarantors entered into the Second Amendment (the "Second Amendment") to the Credit Agreement, dated as of October 31, 2019, as amended by the First Amendment, dated as of November 27, 2019, by and among K. Hovnanian, the Company, the other guarantors party thereto, Wilmington Trust, National Association, as administrative agent, and the lenders party thereto, which provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans (the "Revolving Credit Facility"). The Second Amendment became effective in the first quarter of fiscal 2023 and (i) extends the final scheduled maturity of the Revolving Credit Facility from December 28, 2022 to June 30, 2024, (ii) replaces the 7.75% fixed interest rate with a floating interest rate based on the SOFR and (iii) provides for certain technical and clarifying amendments. Borrowings under the Revolving Credit Facility will bear interest, at K. Hovnanian's option, at either (i) a term SOFR rate (subject to a floor of 1.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

### Fiscal 2021

On July 30, 2021, K. Hovnanian redeemed in full all of the \$111.2 million aggregate principal amount of 10.0% Senior Secured Notes due 2022 (the "10.0% 2022 Notes"). The aggregate purchase price for this redemption was \$111.7 million, which included accrued and unpaid interest that was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$0.3 million for the year ended October 31, 2021, net of the write-off of unamortized financing costs and fees. The loss from the redemption is included in the Consolidated Statement of Operations as "(Loss) gain on extinguishment of debt, net".

On August 2, 2021, K. Hovnanian redeemed in full all of the \$69.7 million aggregate principal amount of 10.5% Senior Secured Notes due 2024 (the "10.5% 2024 Notes"). The aggregate purchase price for this redemption was \$71.9 million, which included accrued and unpaid interest that was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$3.4 million for the year ended October 31, 2021, net of the write-off of unamortized discounts, financing costs and fees. The loss from the redemption is included in the Consolidated Statement of Operations as "(Loss) gain on extinguishment of debt, net".

*Fiscal 2020*

On December 10, 2019, K. Hovnanian consummated an exchange offer (the "1.75 Lien Exchange Offer") pursuant to which it issued \$158.5 million aggregate principal amount of 10.0% 1.75 Lien Notes due 2025 (the "1.75 Lien Notes") in exchange for certain of its then outstanding second lien notes. K. Hovnanian also exchanged \$163.0 million in aggregate principal amount of its Unsecured Term Loans for \$81.5 million in aggregate principal amount of Secured Term Loans made under a new Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (the "Secured Term Loan Facility"). There was no cash consideration in these exchanges. These secured notes and term loan exchanges were accounted for in accordance with ASC 470-60, resulting in a carrying value of \$164.9 million and \$148.8 million, respectively, for the \$158.5 million of 1.75 Lien Notes and \$81.5 million of Secured Term Loans, respectively, and a net gain on extinguishment of debt of \$9.2 million, which is included in "(Loss) gain on extinguishment of debt, net" on the Consolidated Statement of Operations. The effect of this gain on a per share basis, assuming dilution, for the year ended October 31, 2020 was \$1.40, excluding the impact of taxes, as our deferred tax assets were fully reserved by a valuation allowance.

The 1.75 Lien Notes were issued under an Indenture, dated as of December 10, 2019, among HEI, K. Hovnanian, the guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent. The 1.75 Lien Notes are guaranteed by HEI and the Notes Guarantors and are secured by substantially all of the assets owned by K. Hovnanian and the Notes Guarantors, subject to permitted liens and certain exceptions. Interest on the 1.75 Lien Notes is payable semi-annually on May 15 and November 15 of each year, to holders of record at the close of business on May 1 or November 1, as the case may be, immediately preceding each such interest payment date. The 1.75 Lien Notes have a maturity of November 15, 2025.

At any time and from time to time after November 15, 2022 and prior to November 15, 2023, K. Hovnanian may redeem some or all of the 1.75 Lien Notes at a redemption price equal to 102.50% of their principal amount and at any time and from time to time after November 15, 2023, K. Hovnanian may redeem some or all of the 1.75 Lien Notes at a redemption price equal to 100.0% of their principal amount.

The Secured Term Loans and the guarantees thereof are secured on a pari passu basis with the 1.75 Lien Notes by the same assets that secure the 1.75 Lien Notes, subject to permitted liens and certain exceptions. The Secured Term Loans bear interest at a rate equal to 10.0% per annum and will mature on January 31, 2028, with interest payable in arrears on the last business day of each fiscal quarter. At any time and from time to time after November 15, 2022 and prior to November 15, 2023, K. Hovnanian may voluntarily prepay some or all of the Secured Term Loans at a prepayment price equal to 102.50% of their principal amount and at any time and from time to time after November 15, 2023, K. Hovnanian may voluntarily prepay some or all of the Secured Term Loans at a prepayment price equal to 100.0% of their principal amount.

On March 25, 2020, K. Hovnanian consummated a private exchange (the "Exchange") pursuant to which it issued \$59.1 million aggregate principal amount of additional 1.5 Lien Notes (defined below) (the "Additional 1.5 Lien Notes") in exchange for \$59.1 million aggregate principal amount of second lien notes held by certain participating bondholders (the "Exchange Holders") pursuant to an Exchange Agreement, dated March 25, 2020 (the "Exchange Agreement"), among K. Hovnanian, the Notes Guarantors, the Exchanging Holders and certain holders of the Initial 1.5 Lien Notes (defined below) (the "Consenting Holders"). In connection therewith, the Consenting Holders provided their consents (the "Consents") under the Indenture under which the 1.5 Lien Notes were issued to permit the issuance of the Additional 1.5 Lien Notes.

The Additional 1.5 Lien Notes were issued as additional notes of the same series as the \$103.1 million aggregate principal amount of K. Hovnanian's 11.25% Senior Secured 1.5 Lien Notes due 2026 issued on October 31, 2019 (the "Initial 1.5 Lien Notes" and, together with the Additional 1.5 Lien Notes, the "1.5 Lien Notes"). In connection with the issuance of the Additional 1.5 Lien Notes in the Exchange, K. Hovnanian, the Notes Guarantors and Wilmington Trust, National Association, as trustee (the "Trustee") and collateral agent (the "Collateral Agent"), entered into the Fourth Supplemental Indenture, dated as of March 25, 2020 (the "Supplemental Indenture"), to the Indenture, dated as of October 31, 2019 (as amended and supplemented prior to the Supplemental Indenture, the "Indenture"), among the K. Hovnanian, the Notes Guarantors, the Trustee and the Collateral Agent. The Supplemental Indenture also amended the Indenture in accordance with the Consents to permit K. Hovnanian and the Notes Guarantors to secure up to \$162.3 million of 1.5 Lien Obligations (as defined in the Indenture). For a discussion of the 1.5 Lien Notes see "Secured Obligations" below.

During the year ended October 31, 2020, the Company repurchased in open market transactions \$25.5 million aggregate principal amount of the 10.0% 2022 Notes. The aggregate purchase price for these repurchases was \$21.4 million, which included accrued and unpaid interest. These repurchases resulted in a gain on extinguishment of debt of \$4.1 million for the year ended October 31, 2020, net of the write-off of unamortized financing costs and fees. The gains from the repurchases are included in the Consolidated Statement of Operations as "(Loss) gain on extinguishment of debt, net".

*Secured Obligations*

On October 31, 2019, K. Hovnanian, HEI, the Notes Guarantors, Wilmington Trust, National Association, as administrative agent, and affiliates of certain investment managers (the “Investors”), as lenders, entered into a credit agreement (the “Secured Credit Agreement” and, together with the Unsecured Term Loan Facility (defined below) and the Secured Term Loan Facility, the “Credit Facilities”) providing for up to \$125.0 million in aggregate amount of Secured Revolving Loans to be used for general corporate purposes, upon the terms and subject to the conditions set forth therein. Secured Revolving Loans are to be borrowed by K. Hovnanian and guaranteed by the Notes Guarantors. In the fourth quarter of fiscal 2022, we amended our Secured Credit Facility, which amendments became effective in the first quarter of fiscal 2023. As amended, the revolving loans thereunder have a maturity of June 30, 2024 and borrowings bear interest, at K. Hovnanian’s option, at either (i) a term secured overnight financing rate (subject to a floor of 1.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

The 1.125 Lien Notes have a maturity of February 15, 2026 and bear interest at a rate of 7.75% per annum payable semi-annually on February 15 and August 15 of each year, to holders of record at the close of business on February 1 and August 1, as the case may be, immediately preceding such interest payment dates. K. Hovnanian may redeem some or all of the 1.125 Lien Notes at 103.875% of principal commencing February 15, 2022, at 101.937% of principal commencing February 15, 2023 and at 100.0% of principal commencing February 15, 2024.

The 10.5% Senior Secured 1.25 Lien Notes due 2026 (the “1.25 Lien Notes”) have a maturity of February 15, 2026 and bear interest at a rate of 10.5% per annum payable semi-annually on February 15 and August 15 of each year to holders of record at the close of business on February 1 and August 1, as the case may be, immediately preceding such interest payment dates. K. Hovnanian may redeem some or all of the 1.25 Lien Notes at 105.25% of principal commencing February 15, 2022, at 102.625% of principal commencing February 15, 2023 and at 100.0% of principal commencing February 15, 2024.

The 11.25% Senior Secured 1.5 Lien Notes due 2026 (the “1.5 Lien Notes”) have a maturity of February 15, 2026 and bear interest at a rate of 11.25% per annum payable semi-annually on February 15 and August 15 of each year to holders of record at the close of business on February 1 and August 1, as the case may be, immediately preceding such interest payment dates. The 1.5 Lien Notes are redeemable in whole or in part at our option at any time prior to February 15, 2026 at 100.0% of their principal amount.

See “Fiscal 2020” for a discussion of the 1.75 Lien Notes and the Secured Term Loan.

Each series of secured notes and the guarantees thereof, the Secured Term Loans and the guarantees thereof and the Secured Credit Agreement and the guarantees thereof are secured by the same assets. Among the secured debt, the liens securing the Secured Credit Agreement are senior to the liens securing all of K. Hovnanian's other secured notes and the Secured Term Loan. The liens securing the 1.125 Lien Notes are senior to the liens securing the 1.25 Lien Notes, 1.5 Lien Notes, the 1.75 Lien Notes, the Secured Term Loans and any other future secured obligations that are junior in priority with respect to the assets securing the 1.125 Lien Notes, the liens securing the 1.25 Lien Notes are senior to the liens securing the 1.5 Lien Notes, the 1.75 Lien Notes, the Secured Term Loans and any other future secured obligations that are junior in priority with respect to the assets securing the 1.25 Lien Notes, the liens securing the 1.5 Lien Notes are senior to the liens securing the 1.75 Lien Notes, the Secured Term Loans and any other future secured obligations that are junior in priority with respect to the assets securing the 1.5 Lien Notes, the liens securing the 1.75 Lien Notes and the Secured Term Loans (which are secured on a pari passu basis with each other) are senior to any other future secured obligations that are junior in priority with respect to the assets securing the 1.75 Lien Notes and the Secured Term Loans, in each case, with respect to the assets securing such debt.

As of October 31, 2022, the collateral securing the Secured Credit Agreement, the Secured Term Loan Facility and the secured notes included (1) \$333.2 million of cash and cash equivalents, which included \$6.1 million of restricted cash collateralizing certain letters of credit (subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries); (2) \$409.1 million aggregate book value of real property, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised; and (3) equity interests in joint venture holding companies with an aggregate book value of \$87.3 million.

#### *Unsecured Obligations*

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

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

The Unsecured Term Loans bear interest at a rate equal to 5.0% per annum and interest is payable in arrears, on the last business day of each fiscal quarter. The Unsecured Term Loans will mature on February 1, 2027.

#### *Other*

We have certain stand-alone cash collateralized letter of credit agreements and facilities under which there was a total of \$6.0 million and \$9.3 million letters of credit outstanding at October 31, 2022 and October 31, 2021, respectively. These agreements and facilities require us to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash we have available for other uses. At October 31, 2022 and October 31, 2021, the amount of cash collateral in these segregated accounts was \$6.1 million and \$9.9 million, respectively, which is included in "Restricted cash and cash equivalents" on the Consolidated Balance Sheets.

## **10. Operating and Reporting Segments**

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

We currently have homebuilding operations in 14 states that are aggregated into reportable segments based primarily upon geographic proximity.

Historically, the Company had seven reportable segments consisting of six homebuilding segments (Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West) and its financial services segment. During the fourth quarter of fiscal 2022, we reevaluated our reportable segments as a result of changes in the business and our management thereof. In particular, we considered the fact that, since our segments were last established, the Company had exited the Minnesota, North Carolina and Tampa markets and is currently in the process of exiting the Chicago market. Applying the principles set forth under ASC 280, including that our business trends are reflective of economic conditions in markets with general geographic proximity, we realigned our homebuilding operating segments.

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

#### Homebuilding:

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

All prior period amounts related to the segment change have been retrospectively reclassified throughout to conform to the new presentation.

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

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

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

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

Financial information relating to our reportable segments are as follows:

(In thousands)	Year Ended October 31,		
	2022	2021	2020
<b>Revenues:</b>			
Northeast	\$ 1,085,081	\$ 871,091	\$ 821,456
Southeast	323,961	285,658	232,730
West	1,450,632	1,544,397	1,217,086
<b>Total homebuilding</b>	<b>2,859,674</b>	<b>2,701,146</b>	<b>2,271,272</b>
Financial services	61,540	81,692	72,162
Corporate and unallocated	1,017	19	467
<b>Total revenues</b>	<b>\$ 2,922,231</b>	<b>\$ 2,782,857</b>	<b>\$ 2,343,901</b>
<b>Income before income taxes:</b>			
Northeast	\$ 177,406	\$ 102,896	\$ 63,136
Southeast	60,178	17,764	1,355
West	207,519	198,343	84,599
<b>Total homebuilding</b>	<b>445,103</b>	<b>319,003</b>	<b>149,090</b>
Financial services	19,121	37,563	32,102
Corporate and unallocated (1)	(144,471)	(166,705)	(125,789)
<b>Income before income taxes</b>	<b>\$ 319,753</b>	<b>\$ 189,861</b>	<b>\$ 55,403</b>

(1) Corporate and unallocated for the year ended October 31, 2022 included corporate general and administrative expenses of \$102.6 million, interest expense of \$28.6 million (a component of Other interest in our Consolidated Statements of Operations), loss on extinguishment of debt of \$6.8 million and \$6.5 million of other expenses. Corporate and unallocated for the year ended October 31, 2021 included corporate general and administrative expenses of \$106.7 million, interest expense of \$57.1 million, loss on extinguishment of debt of \$3.7 million and \$0.8 million of other income. Corporate and unallocated for the year ended October 31, 2020 included corporate general and administrative expenses of \$80.5 million, interest expense of \$61.9 million, gain on extinguishment of debt of \$13.3 million and \$3.3 million of other income.

(In thousands)	October 31,	
	2022	2021
Assets:		
Northeast	\$ 530,884	\$ 491,507
Southeast	330,894	257,044
West	802,704	643,342
Total homebuilding	1,664,482	1,391,893
Financial services	155,993	202,758
Corporate and unallocated	741,555	725,857
Total assets	\$ 2,562,030	\$ 2,320,508

(In thousands)	October 31,	
	2022	2021
Investments in and advances to unconsolidated joint ventures:		
Northeast	\$ 20,241	\$ 18,920
Southeast	52,651	40,563
West	174	268
Total homebuilding	73,066	59,751
Corporate and unallocated	1,874	1,146
Total investments in and advances to unconsolidated joint ventures	\$ 74,940	\$ 60,897

(In thousands)	Year Ended October 31,		
	2022	2021	2020
Homebuilding interest expense:			
Northeast	\$ 31,552	\$ 30,212	\$ 39,089
Southeast	17,403	19,490	17,005
West	55,056	55,029	60,120
Total homebuilding	104,011	104,731	116,214
Corporate and unallocated	28,572	57,085	61,917
Financial services interest expense (income) (1)	(213)	(35)	(35)
Total interest expense, net	\$ 132,370	\$ 161,781	\$ 178,096

(1) Financial services interest expense (income) is included in Financial services revenue or expense in the Consolidated Statements of Operations.

(In thousands)	Year Ended October 31,		
	2022	2021	2020
Depreciation:			
Northeast	\$ 1,542	\$ 1,459	\$ 1,605
Southeast	291	214	327
West	1,298	1,811	1,500
Total homebuilding	3,131	3,484	3,432
Financial services	5	13	13
Corporate and unallocated	2,321	1,783	1,859
Total depreciation	\$ 5,457	\$ 5,280	\$ 5,304

(In thousands)	Year Ended October 31,		
	2022	2021	2020
Net additions to property and equipment:			
Northeast	\$ 1,848	\$ 1,271	\$ 1,069
Southeast	229	256	102
West	1,841	1,174	1,622
Total homebuilding	3,918	2,701	2,793
Financial services	28	-	-
Corporate and unallocated	8,646	3,241	587
Total net additions to property and equipment	\$ 12,592	\$ 5,942	\$ 3,380

(In thousands)	Year Ended October 31,		
	2022	2021	2020
Equity in earnings from unconsolidated joint ventures:			
Northeast	\$ 12,674	\$ 2,958	\$ 10,644
Southeast	16,359	2,061	820
West	-	3,830	5,101
Total equity in earnings from unconsolidated joint ventures	\$ 29,033	\$ 8,849	\$ 16,565

## 11. Income Taxes

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

(In thousands)	October 31,	
	2022	2021
State income taxes:		
Current	\$ 3,167	\$ 3,851
Deferred	(69,248)	(90,070)
Federal income taxes:		
Current	-	-
Deferred	(275,545)	(335,608)
Total	\$ (341,626)	\$ (421,827)

The (benefit) provision for income taxes is composed of the following charges:

(In thousands)	Year Ended October 31,		
	2022	2021	2020
Current income tax expense:			
Federal (1)	\$ -	\$ -	\$ -
State (2)	13,377	7,722	4,475
Total current income tax expense:	13,377	7,722	4,475
Federal	60,064	(335,608)	-
State	20,822	(90,070)	-
Total deferred income tax expense (benefit):	80,886	(425,678)	-
Total	\$ 94,263	\$ (417,956)	\$ 4,475

(1) The current federal income tax expense is net of the use of federal net operating losses totaling \$306.0 million (tax effected \$64.3 million), \$173.8 million (tax effected \$36.5 million) and \$183.0 million (tax effected \$38.4 million) for the years ended October 31, 2022, 2021 and 2020, respectively.

(2) The current state income tax expense is net of the use of state net operating losses totaling \$80.1 million, \$55.7 million and \$72.5 million for the years ended October 31, 2022, 2021 and 2020, respectively.

The total income tax expense for the year ended October 31, 2022 was \$94.3 million. The expense was primarily due to federal and state tax expense recorded as a result of our income before income taxes. The federal tax expense is not paid in cash as it is offset by the use of our existing net operating loss (“NOL”) carryforwards. The total income tax benefit for the year ended October 31, 2021 was \$418.0 million. The benefit was primarily due to the reversal of a substantial portion of our valuation allowance previously recorded against our deferred tax assets (“DTAs”). The total income tax expense of \$4.5 million for the year ended October 31, 2020 was primarily related to state tax expense from income generated in states where we do not have NOL carryforwards to offset the current year income. In addition, the expense for the year ended October 31, 2020 was primarily related to state tax expense from the impact of a cancellation of debt income recorded for tax purposes but not for U.S. GAAP purposes, creating a permanent difference.

Our federal net operating losses of \$909.6 million expire between 2029 and 2038, and \$15.7 million have an indefinite carryforward period. Of our \$2.3 billion of state NOLs, \$411.4 million expire between 2023 through 2027; \$1.4 billion expire between 2028 through 2032; \$369.7 million expire between 2033 through 2037; \$73.7 million expire between 2038 through 2042; and \$51.5 million have an indefinite carryforward period.

The Company recognizes deferred income taxes for deferred tax benefits arising from NOL carryforwards and temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. A valuation allowance is provided to offset DTAs if, based upon the available evidence, it is more likely than not that some or all of the DTAs will not be realized. Future realization of DTAs depends on the existence of sufficient taxable income of the appropriate character. Sources of taxable income include future reversals of existing taxable temporary differences, expected future taxable income, taxable income in prior carryback years if permitted under the tax law and tax planning strategies. Management has determined that it is more likely than not that sufficient taxable income will be generated in the future to realize its DTAs except for a portion related to state DTAs.

As of October 31, 2020, we had a valuation allowance of \$396.5 million of federal DTAs related to NOLs, as well as other matters, all of which was reversed during the year ended October 31, 2021. We also had a valuation allowance of \$181.0 million of DTAs related to state NOLs as of October 31, 2020, of which \$78.1 million was reversed during the year ended October 31, 2021.

As of October 31, 2022, we considered all available positive and negative evidence to determine whether, based on the weight of that evidence, our valuation allowance for our DTAs was appropriate in accordance with ASC 740. Overall, the positive evidence, both objective and subjective, outweighed the negative evidence. The significant positive improvement in our operations in the last three years, coupled with our contract backlog of \$1.3 billion as of October 31, 2022 provided positive evidence to support the conclusion that a full valuation allowance is not necessary for all of our DTAs. As such, we used our go forward projections to estimate our usage of our existing federal and state DTAs. Based on this analysis, we determined that the current valuation allowance for our DTAs of \$95.7 million as of October 31, 2022 is appropriate.

1. As of October 31, 2022, on a tax basis, the Company had adjusted pre-tax income, which is income before income taxes excluding land-related charges and loss (gain) on extinguishment of debt, on a three-year cumulative basis. On a U.S. GAAP basis, the Company had generated \$565.0 million of cumulative income before income taxes in the three years ended October 31, 2022. We believe these positive results will continue given the strength of our contract backlog and recent homebuilding market conditions. (Positive Objective Evidence)
2. Over the last several years, we have completed a number of debt refinancing/restructuring transactions to extend our debt maturities, which will allow us to allocate cash to opportunistically grow our community count and potentially generate additional income. (Positive Objective Evidence)
3. In July 2021 we paid off in full \$111.2 million of 10.0% 2022 Notes and in August 2021, we paid off in full \$69.7 million of 10.5% 2024 Notes. Additionally, in April 2022 we redeemed \$100.0 million in principal of our 7.75% Senior Secured 1.125 Lien Notes due 2026. These actions reduced our annual interest incurred by approximately \$23 million, which will enhance our profitability going forward. (Positive Objective Evidence)
4. We incurred pre-tax losses during the housing market decline that began in 2007 and the slower than expected housing market recovery. Given our improved but still highly leveraged Consolidated Balance Sheet, another sustained downturn in the housing market, would be significantly more damaging to the Company than to other better capitalized homebuilders and make it very difficult for us to avoid future losses, given our high interest expenses. (Negative Objective Evidence)
5. We exited several geographic markets over the last few years that have historically had pre-tax losses. By exiting these underperforming markets, the Company has been able to redeploy capital to better performing markets, which over time should improve our profitability. (Positive Subjective Evidence)
6. The historical cyclical nature of the U.S. housing market, a more restrictive mortgage lending environment compared to before the housing downturn of 2007-2009, the uncertainty of the overall U.S. economy, government policies and consumer confidence, all could adversely impact the housing market. (Negative Subjective Evidence)

Deferred tax assets and liabilities have been recognized on the Consolidated Balance Sheets as follows:

(In thousands)	October 31,	
	2022	2021
Deferred tax assets:		
Inventory impairments	\$ 30,772	\$ 34,973
Uniform capitalization of overhead	4,285	4,483
Warranty and legal reserves	5,668	5,671
Compensation	13,746	12,464
Deferred income	2,425	1,420
Interest expense	3,646	2,582
Restricted stock units	1,628	1,159
Stock options	818	1,009
Provision for losses	17,700	17,064
Joint venture loss	-	743
Federal net operating losses	206,560	263,366
State net operating losses	150,832	177,163
Other	5,005	5,136
Total deferred tax assets	443,085	527,233
Deferred tax liabilities:		
Joint venture income	(2,565)	-
Total deferred tax liabilities	(2,565)	-
Valuation allowance	(95,727)	(101,555)
Deferred tax assets, net	\$ 344,793	\$ 425,678

Our effective tax rate varied from the statutory federal income tax rate. The effective tax rate is affected by a number of factors, the most significant of which has been the valuation allowance related to our DTAs. Due to the effects of these factors, our effective tax rates for 2022, 2021 and 2020 are not correlated to the amount of our income before income taxes. The sources of these factors were as follows:

	Year Ended October 31,		
	2022	2021	2020
Federal statutory income tax rate	21.0%	21.0%	21.0%
State income taxes, net of federal income tax benefit	9.8	4.0	10.6
Permanent differences, net	0.8	3.6	53.2
Deferred tax asset valuation allowance impact	0.0	(248.5)	(83.3)
Tax contingencies	(0.1)	(0.2)	(0.5)
Adjustments to prior years' tax accruals	(2.0)	0.0	7.0
Effective tax rate	29.5%	(220.1)%	8.0%

ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

We recognize tax liabilities in accordance with ASC 740-10 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a liability that is materially different from our current estimate of tax liabilities. These differences will be reflected as increases or decreases to income tax (benefit) provision in the period in which they are determined.

We recognize interest and penalties related to unrecognized tax benefits within income taxes in the Consolidated Statement of Operations. Accrued interest and penalties are included within "Income taxes payable" line on the Consolidated Balance Sheets.

The following is a tabular reconciliation of the total amount of unrecognized tax benefits excluding interest and penalties:

(In millions)	2022	2021
Unrecognized tax benefit—November 1,	\$ 0.5	\$ 0.7
Gross increases—tax positions in current period	-	-
Lapse of statute of limitations	(0.3)	(0.2)
Unrecognized tax benefit—October 31,	\$ 0.2	\$ 0.5

Related to the unrecognized tax benefits noted above, as of October 31, 2022 and 2021, we recognized a liability for interest and penalties of \$0.1 million and \$0.3 million, respectively. For the years ended October 31, 2022, 2021 and 2020, we recognized \$128 thousand, \$84 thousand and \$60 thousand, respectively, of interest and penalties in income taxes (benefits).

It is likely that, within the next 12 months, the amount of the Company's unrecognized tax benefits will decrease by \$0.2 million, excluding interest and penalties. This reduction is expected primarily due to the expiration of certain statutes of limitation. The portion of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate (excluding any related impact to the valuation allowance) is \$0.2 million and \$0.5 million for the years ended October 31, 2022 and 2021. The recognition of unrecognized tax benefits could have an impact on the Company's DTAs.

The consolidated federal tax returns have been audited through October 31, 2021 and these years are closed. We are also subject to various income tax examinations in the states in which we do business. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit, appeal, and in some cases, litigation process. As each audit is concluded, adjustments, if any, are recorded in the period determined. To provide for potential exposures, tax reserves are recorded, if applicable, based on reasonable estimates of potential audit results. However, if the reserves are insufficient upon completion of an audit, there could be an adverse impact on our financial position and results of operations. The statute of limitations for our major tax jurisdictions remains open for examination for tax years 2018 - 2021.

## 12. Reduction of Inventory to Fair Value

We had 374 communities under development and held for future development or sale at both October 31, 2022 and 2021, and 354 communities under development and held for future development or sale at October 31, 2020, which we evaluated for impairment indicators. We had an indicator of impairment on one community during the year ended October 31, 2022, with a carrying value of \$10.6 million. We performed an impairment analysis on the community which included increased land development costs from previous projections. The increased land development costs, along with the recent downturn in the market, resulted in an impairment of \$8.4 million for the year ended October 31, 2022. We performed undiscounted future cash flow analyses for three communities (i.e., those with a projected operating loss or other impairment indicators) during the year ended October 31, 2021, with an aggregate carrying value of \$11.5 million. As a result of our undiscounted future cash flow analyses, we performed discounted cash flow analyses for all three of those communities, resulting in impairments of \$2.0 million. We performed undiscounted future cash flow analyses for three communities during the year ended October 31, 2020, with an aggregate carrying value of \$5.4 million. As a result of our undiscounted future cash flow analyses, we performed discounted cash flow analyses for two of those communities, resulting in impairments of \$2.0 million. The one community that did not require a discounted cash flow analysis to be performed during the year ended October 31, 2020 had an aggregate carrying value of \$0.6 million and did not have undiscounted future cash flows that exceeded the carrying amount by less than 20%. Our discount rates used for all impairments recorded during fiscal 2021 and fiscal 2020 ranged from 17.3% to 19.3%. Our aggregate impairment charges are included within "Inventory impairments and land option write-offs" in the Consolidated Statement of Operations and deducted from inventory.

The following table represents impairments by segment for fiscal 2022, 2021 and 2020:

(Dollars in millions)	Year Ended October 31, 2022		
	Number of Communities	Dollar Amount of Impairment	Pre-Impairment Value (1)
Northeast	-	\$ -	\$ -
Southeast	-	-	-
West	1	8.4	10.6
Total	1	\$ 8.4	\$ 10.6

(Dollars in millions)	Year Ended October 31, 2021		
	Number of Communities	Dollar Amount of Impairment	Pre-Impairment Value (1)
Northeast	-	\$ -	\$ -
Southeast	2	1.2	9.2
West	1	0.8	2.3
Total	3	\$ 2.0	\$ 11.5

(Dollars in millions)	Year Ended October 31, 2020		
	Number of Communities	Dollar Amount of Impairment	Pre-Impairment Value (1)
Northeast	2	\$ 2.0	\$ 4.8
Southeast	-	-	-
West	-	-	-
Total	2	\$ 2.0	\$ 4.8

(1) Represents carrying value, net of prior period impairments, if any, at the time of recording the applicable period's impairments.

Write-offs of options, engineering and capitalized interest costs are also recorded in "Inventory impairments and land option write-offs" when we redesign communities, abandon certain engineering costs or do not exercise options in various locations because the pro forma profitability is not projected to produce adequate returns on investment commensurate with the risk. The total aggregate write-offs related to these items were \$5.7 million, \$1.6 million and \$6.8 million for the years ended October 31, 2022, 2021 and 2020, respectively. Occasionally, these write-offs are offset by recovered deposits, sometimes through legal action, which had been written off in a prior period as walk-away costs. Historically, these recoveries have not been significant in comparison to the total costs written off.

The following table represents write-offs of such costs by segment for fiscal 2022, 2021 and 2020:

(In millions)	Year Ended October 31,		
	2022	2021	2020
Northeast	\$ 0.4	\$ 0.3	\$ 5.0
Southeast	0.9	0.2	0.8
West	4.4	1.1	1.0
Total	\$ 5.7	\$ 1.6	\$ 6.8

### 13. Per Share Calculations

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

(In thousands, except per share data)	Year Ended October 31,		
	2022	2021	2020
Numerator:			
Net income	\$ 225,490	\$ 607,817	\$ 50,928
Less: preferred stock dividends	(10,675)	-	-
Less: undistributed earnings allocated to participating securities	(19,702)	(57,676)	(4,652)
Numerator for basic earnings per share	\$ 195,113	\$ 550,141	\$ 46,276
Plus: undistributed earnings allocated to participating securities	19,702	57,676	4,652
Less: undistributed earnings reallocated to participating securities	(19,717)	(58,687)	(4,652)
Numerator for diluted earnings per share	\$ 195,098	\$ 549,130	\$ 46,276
Denominator:			
Denominator for basic earnings per share – weighted average shares outstanding	6,437	6,287	6,189
Effect of dilutive securities:			
Stock-based payments	291	108	395
Denominator for diluted earnings per share – weighted-average shares outstanding	6,728	6,395	6,584
Basic earnings per share	\$ 30.31	\$ 87.50	\$ 7.48
Diluted earnings per share	\$ 29.00	\$ 85.86	\$ 7.03

In addition, 26 thousand, 25 thousand and 0.2 million shares related to out-of-the money stock options, which could potentially dilute basic earnings per share in the future, were not included in the computation of diluted earnings per share for the years ended October 31, 2022, 2021 and 2020, respectively, because to do so would have been anti-dilutive for each period.

## 14. Capital Stock

### *Common Stock*

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

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

On July 3, 2001, the Board authorized a stock repurchase program to purchase up to 0.2 million shares of Class A common stock. On September 1, 2022, the Board terminated our prior repurchase program and authorized a new program for the repurchase of up to \$50.0 million of our Class A common stock. Under the new repurchase program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date. As of October 31, 2022, \$37.8 million of our Class A common stock is available to repurchase under the stock repurchase program.

On October 31, 2020, in connection with the issuance of the 7.75% Senior Secured 1.25 Lien Notes due 2026, we issued and sold an aggregate of 178,427 shares of Class A common stock, par value \$0.01 per share (and associated Preferred Stock Purchase Rights), to the purchasers of such Notes for an aggregate purchase price of \$1,784.27. The issuance was exempt from registration under Section 4(a)(2) of the Securities Act of 1933.

### *Preferred Stock*

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on the Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A preferred stock. The depositary shares are listed on the NASDAQ Global Market under the symbol "HOVNP." In fiscal 2022 we paid dividends of \$10.7 million on the Series A preferred stock. In fiscal 2021 and 2020, we did not pay any dividends on the Series A preferred stock due to covenant restrictions in our debt instruments.

### *Retirement Plan*

We have established a tax-qualified, defined contribution savings and investment retirement plan (a 401(k) plan). All associates are eligible to participate in the retirement plan, and employer contributions are based on a percentage of associate contributions and our operating results. 401(k) plan expenses were \$8.3 million, \$7.0 million and \$7.4 million for the years ended October 31, 2022, 2021 and 2020, respectively.

### *Treasury Stock*

During the year ended October 31, 2022, we repurchased 312,471 shares under the new stock repurchase program, with a market value of \$12.2 million, or \$39.12 per share, which were added to "Treasury stock" on our Consolidated Balance Sheets as of October 31, 2022. There were no shares repurchased during the years ended October 31, 2021 or 2020.

## 15. Stock-Based Compensation Plans

We have stock incentive plans for certain officers, key employees and directors that are approved by a committee appointed by the Board or its delegate. As of October 31, 2022, we had 0.6 million shares authorized and remaining for future issuance under our stock incentive plans. Based on the terms of our stock incentive plans, awards that are forfeited become available to us for future grants.

### *Stock Options*

Prior to fiscal 2020, stock options were granted. There have been no stock option grants during fiscal years 2022, 2021 or 2020. The exercise price of all stock options is at least equal to the fair market value of an underlying share of our Class A common stock on the date of the grant. The fair value of each stock option is estimated using the Black-Scholes option-pricing model. Stock options granted to officers and associates generally vest in four equal installments on the second, third, fourth and fifth anniversaries of the date of the grant. Non-employee directors' stock options vest in three equal installments on the first, second and third anniversaries of the date of the grant. All stock options expire on the tenth anniversary from the date of grant.

The following table summarizes stock option activity at October 31, 2022:

	October 31, 2022	Weighted-Average Exercise Price
Stock options outstanding at beginning of period	206,234	\$ 51.67
Granted	-	\$ -
Exercised	(9,575)	\$ 51.50
Forfeited	-	\$ -
Expired	(30,100)	\$ 71.97
Stock options outstanding at end of period	166,559	\$ 48.02
Stock options exercisable at end of period	127,780	

The total intrinsic value of stock options exercised during fiscal 2022 and 2021 was \$0.2 million and \$4.8 million, respectively. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price. There were no stock options exercised in fiscal 2020.

Based on the fair value at the time of grant, the per share weighted-average fair value of stock options vested in fiscal 2022, 2021 and 2020 was \$16.46, \$8.82 and \$25.34, respectively.

The following table summarizes the exercise price range and related number of outstanding stock options at October 31, 2022:

Range of Exercise Prices	Number Outstanding	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life
\$7.85 – \$38.75	73,174	\$ 9.54	6.62
\$42.50 – \$63.75	67,439	\$ 54.16	4.56
\$66.75 – \$100.25	1,700	\$ 66.75	2.61
\$110.25 – \$157.00	24,246	\$ 145.73	0.86
	166,559	\$ 48.02	4.90

The following table summarizes the exercise price range and related number of exercisable stock options at October 31, 2022:

Range of Exercise Prices	Number Exercisable	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life
\$7.85 – \$38.75	36,578	\$ 9.58	6.62
\$42.50 – \$63.75	65,256	\$ 54.34	4.52
\$66.75 – \$100.25	1,700	\$ 66.75	2.61
\$110.25 – \$157.00	24,246	\$ 145.73	0.86
	127,780	\$ 59.03	4.40

### *RSUs and Performance Units*

RSUs are measured based upon the fair value of a share of our Class A common stock on the date of grant. Shares underlying RSUs granted to officers and associates generally vest in four equal installments on the first, second, third, and fourth anniversaries of the grant date. During fiscal year 2022, each of our six existing non-employee directors were granted RSUs subject to a two-year post-vesting holding period. Generally, participants aged 60 years or older, or aged 58 with 15 years of service, are eligible to vest in their awards on an accelerated basis upon their retirement (which in the case of RSUs granted prior to 2019 only applies to a retirement that is at least one year after the date of grant).

Grants of market share units ("MSUs"), performance share units ("PSUs") and the stock portion of the long-term incentive plans ("LTIPs") (each discussed below), are also awarded as compensation.

The following table summarizes nonvested time-based RSU and MSU share activity as of October 31, 2022:

	October 31, 2022	Weighted-Average Grant Date Fair Value
Nonvested time-based at beginning of period	229,924	\$ 26.51
Granted	63,159	\$ 50.14
Vested (1)	(113,684)	\$ 23.51
Forfeited	(3,762)	\$ 39.49
Nonvested time-based at end of period	175,637	\$ 33.43

The following table summarizes nonvested performance-based LTIP, PSU and MSU share activity as of October 31, 2022:

	October 31, 2022	Weighted-Average Grant Date Fair Value
Nonvested performance-based at beginning of period	350,983	\$ 35.60
Granted	335,794	\$ 42.91
Vested (1)	(179,265)	\$ 29.36
Forfeited	(355)	\$ 73.50
Nonvested performance-based at end of period	507,157	\$ 41.14

(1) Includes 49,484 time-based vested share awards and 116,785 performance-based vested share awards which were deferred and not yet issued at October 31, 2022.

LTIP awards include share adjustments for the difference between target performance metrics at the time of grant and the final performance outcome. Share adjustments are reflected in the "Granted" line above at the time the performance is finalized. For LTIP awards granted prior to fiscal 2022, shares vest on the third, fourth and fifth anniversary of the grant date, subject to performance achievement. The 2022 LTIP is subject to cliff vesting at the end of the performance period.

PSUs granted in fiscal 2020 vest in four equal installments commencing on the second, third, fourth and fifth anniversary of the grant date, except that no portion of the award will vest unless the Board determines that the Company achieved specified earnings goals. Fiscal 2022 and 2021 PSUs are subject to cliff vesting on the third year after the grant date. The fair value of PSUs is determined using the Finnerty model, which uses an arithmetic average strike, put option. The strike price is based on the predetermined period average value of the underlying asset. The following assumptions were used for the 2022 PSU grants: historical volatility factor of 78.82% based on the expected market price of our Class A common stock for the two-year period ending on the valuation date, concluded stock price assumption of 3.04% equal to the continuously compounded two-year yield and a dividend yield of zero.

There were no MSUs granted in fiscal 2022, 2021 and 2020. The fair value of MSUs is determined using the Monte-Carlo simulation model. The first 50% of an MSU grant vests in four equal annual installments, commencing on the second anniversary from the date of grant, subject to stock price performance conditions, pursuant to which the actual number of shares issuable with respect to vested MSUs may range from 0% to 200% of the target number of shares under each MSU award, generally depending on the growth in the 60-day average trading price of the Company's shares during the period between the grant date and the relevant vesting dates. The remaining 50% of an MSU grant is subject to financial performance conditions in addition to the stock price performance conditions. These remaining MSUs vest in four equal installments with the first installment vesting on the third January 1st after the grant date, and the remaining annual installments commencing on the third anniversary from the date of grant, except that no portion of the award will vest unless the Board determines the Company achieved certain specified performance goals.

During the year-ended October 31, 2022 we issued 60,751 RSUs, 60,130 MSUs and 17,023 LTIP shares. As of October 31, 2022, there was \$15.4 million of unrecognized stock-based compensation, which is primarily comprised of unrecognized expenses for RSUs, MSUs, PSUs, and the stock portion of LTIPs. The cost is expected to be recognized over a weighted-average period of 1.6 years.

*Stock-Based Compensation Expense*

For the years ended October 31, 2022, 2021 and 2020, stock-based compensation expense was \$10.3 million (\$7.3 million post tax), \$7.7 million (\$5.2 million post tax) and \$2.8 million (\$2.6 million post tax), respectively. Stock-based compensation for RSUs, MSUs, PSUs, and the stock portion of LTIPs was \$10.2 million, \$7.4 million and \$2.4 million for fiscal 2022, 2021 and 2020, respectively. In addition, stock option compensation expense was \$0.1 million, \$0.2 million and \$0.4 million for the years ended October 31, 2022, 2021 and 2020, respectively. Stock-based compensation expense for the year ended October 31, 2020 included income of \$2.4 million from previously recognized expense for certain time and performance-based awards where the performance metrics were not satisfied.

**16. Warranty Costs**

General liability insurance for homebuilding companies and their suppliers and subcontractors is very difficult to obtain. The availability of general liability insurance is limited due to a decreased number of insurance companies willing to underwrite for the industry. In addition, those few insurers willing to underwrite liability insurance have significantly increased the premium costs. To date, we have been able to obtain general liability insurance but at higher premium costs with higher deductibles. Our subcontractors and suppliers have advised us that they have also had difficulty obtaining insurance that also provides us coverage. As a result, we have an owner-controlled insurance program for certain of our subcontractors whereby the subcontractors pay us an insurance premium (through a reduction of amounts we would otherwise owe such subcontractors for their work on our homes) based on the risk type of the trade. We absorb the liability associated with their work on our homes as part of our overall general liability insurance at no additional cost to us because our existing general liability and construction defect insurance policy and related reserves for amounts under our deductible covers construction defects regardless of whether we or our subcontractors are responsible for the defect. For the years ended October 31, 2022 and 2021, we received \$6.0 million and \$5.5 million, respectively, from subcontractors related to the owner controlled-insurance program, which we accounted for as reductions to inventory.

Additions and charges in the warranty reserve and general liability reserve for the years ended October 31, 2022 and 2021 were as follows:

<b>(In thousands)</b>	<b>Year Ended October 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance, beginning of period	\$ 94,916	\$ 86,417
Additions: Selling, general and administrative	8,495	10,419
Additions: Cost of sales	9,054	13,410
Charges incurred during the period	(18,271)	(14,342)
Changes to pre-existing reserves	3,525	(988)
Balance, end of period	<u>\$ 97,719</u>	<u>\$ 94,916</u>

Warranty accruals are based upon historical experience. In fiscal 2022, we recorded an increase of \$4.3 million to our construction defect reserves related to specific claims. These changes are reflected in the changes to pre-existing reserves in the table above.

Insurance claims paid by our insurance carriers, excluding insurance deductibles paid, were \$0.2 million and \$0.1 million for the years ended October 31, 2022 and 2021, respectively, for prior year deliveries.

## 17. Transactions with Related Parties

During the years ended October 31, 2022, 2021 and 2020, an engineering firm owned by Tavit Najarian, a relative of Ara K. Hovnanian, our Chairman of the Board and our Chief Executive Officer, provided services to the Company totaling \$1.1 million, \$0.6 million and \$0.7 million, respectively. Neither the Company nor Mr. Hovnanian has a financial interest in the relative's company from whom the services were provided.

Alexander Hovnanian, the son of Ara K. Hovnanian, is employed by the Company. Alexander Hovnanian holds the position of Executive Vice President - National Homebuilding Operations. For fiscal 2022, he received cash compensation of approximately \$1,684,000 and equity awards with an aggregate grant date fair value of approximately \$531,000. For fiscal 2021, he received cash compensation of approximately \$989,000 and equity awards with an aggregate grant date fair value of approximately \$523,000. For fiscal 2020, his total compensation was approximately \$1,152,000.

Carson Sorsby, the son of J. Larry Sorsby one of our Board directors and our Chief Financial Officer, is employed by the Company. Carson Sorsby holds the position of Account Manager in the Company's mortgage subsidiary. His compensation is commensurate with that of similarly situated employees in his position.

## 18. Commitments and Contingent Liabilities

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

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

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

In March 2013, we received a letter from the EPA requesting information about our involvement in a housing redevelopment project in Newark, New Jersey that a Company entity undertook during the 1990s. We understand that the development is in the vicinity of a former lead smelter and that tests on soil samples from properties within the development conducted by the EPA showed elevated levels of lead. We also understand that the smelter ceased operations many years before the Company entity involved acquired the properties in the area and carried out the re-development project. We responded to the EPA's request. In August 2013, we were notified that the EPA considers us a PRP with respect to the site, that the EPA will clean up the site, and that the EPA is proposing that we fund and/or contribute towards the cleanup of the contamination at the site. We began preliminary discussions with the EPA concerning a possible resolution. The EPA requested additional information in April 2014 and again in March 2017 and the Company responded to the information requests. On May 2, 2018 the EPA sent a letter to the Company entity demanding reimbursement for 100% of the EPA's costs to clean-up the site in the amount of \$2.7 million. The Company responded to the EPA's demand letter on June 15, 2018 setting forth the Company's defenses and expressing its willingness to enter into settlement negotiations. Two other PRPs identified by the EPA began negotiations with the EPA and preliminary negotiations with the Company regarding the site. The EPA then requested that the three PRPs present a joint settlement offer to the EPA. In June 2022, the Company and one of the other PRPs reached an agreement with the EPA for a total settlement of \$1.5 million (plus accrued interest), with the Company contributing approximately \$0.8 million to the settlement, slightly below the amount we had previously accrued. The consent decree entered into by the settling parties was submitted to the United States District Court for the District of New Jersey (where the EPA has filed a complaint seeking reimbursement of response costs) on June 14, 2022 and was signed and filed by such Court on August 9, 2022.

In 2015, the condominium association of the Four Seasons at Great Notch condominium community (the "Great Notch Plaintiff") filed a lawsuit in the Superior Court of New Jersey, Law Division, Passaic County (the "Court") alleging various construction defects, design defects, and geotechnical issues relating to the community. The operative complaint ("Complaint") asserts claims against Hovnanian Enterprises, Inc. and several of its affiliates, including K. Hovnanian at Great Notch, LLC, K. Hovnanian Construction Management, Inc., and K. Hovnanian Companies, LLC. The Complaint also asserts claims against various other design professionals and contractors. The Special Masters appointed by the Court to decide non-dispositive motions issued an opinion that (a) granted the Great Notch Plaintiff's motion to permit it to assert a claim to pierce the corporate veil of K. Hovnanian at Great Notch, LLC to hold its alleged parent entities liable for any damages awarded against it, and (b) further stated that the Great Notch Plaintiff is not permitted to pursue that claim until after any trial on the underlying liability claims. To date, the Hovnanian-affiliated defendants have reached a partial settlement with the Great Notch Plaintiff as to a portion of the Great Notch Plaintiff's claims against them for an amount immaterial to the Company. On its remaining claims against the Hovnanian-affiliated defendants, the Great Notch Plaintiff has asserted damages of approximately \$119.5 million, which

amount is potentially subject to treble damages pursuant to the Great Notch Plaintiff's claim under the New Jersey Consumer Fraud Act. The trial is currently scheduled for April 17, 2023. The Hovnanian-affiliated defendants intend to defend these claims vigorously.

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

## **19. Variable Interest Entities**

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

In compliance with ASC 810, the Company analyzes its option purchase contracts to determine whether the corresponding land sellers are VIEs and, if so, whether the Company is the primary beneficiary. Although the Company does not have legal title to the underlying land, ASC 810 requires the Company to consolidate a VIE if the Company is determined to be the primary beneficiary. In determining whether it is the primary beneficiary, the Company considers, among other things, whether it has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Such activities would include, among other things, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. The Company also considers whether it has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. As a result of our analyses, we have concluded, the Company is not the primary beneficiary of any VIEs from which it is purchasing land under option purchase contracts.

We will continue to secure land and lots using options, some of which are with VIEs. Including deposits on our unconsolidated VIEs, at October 31, 2022, we had total cash deposits amounting to \$180.8 million to purchase land and lots with a total purchase price of \$1.9 billion. The maximum exposure to loss with respect to our land and lot options is limited to the deposits plus any pre-development costs invested in the property, although some deposits are refundable at our request or refundable if certain conditions are not met.

## **20. Investments in Unconsolidated Homebuilding and Land Development Joint Ventures**

We enter into homebuilding and land development joint ventures from time to time as a means of accessing lot positions, expanding our market opportunities, establishing strategic alliances, managing our risk profile, leveraging our capital base and enhancing returns on capital. Our homebuilding joint ventures are generally entered into with third-party investors to develop land and construct homes that are sold directly to third-party home buyers. Our land development joint ventures include those entered into with developers and other homebuilders as well as financial investors to develop finished lots for sale to the joint venture's members or other third-parties.

During the third quarter of fiscal 2021, we purchased the remaining equity interest in one of our unconsolidated joint ventures for \$6.3 million of net cash. As a result of this transaction, we took control of four communities, including three active communities. The unconsolidated joint venture was subsequently dissolved.

During the second quarter of fiscal 2021, we contributed six communities we owned, including three active communities, to two new joint ventures for \$21.2 million of net cash.

During the first quarter of fiscal 2020, we contributed eight communities we owned, including four active communities, to a new joint venture for \$29.8 million of net cash.

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

<b>October 31, 2022</b>			
<b>(In thousands)</b>	<b>Homebuilding</b>	<b>Land Development</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 153,176	\$ 868	\$ 154,044
Inventories	441,140	-	441,140
Other assets	20,037	-	20,037
<b>Total assets</b>	<b>\$ 614,353</b>	<b>\$ 868</b>	<b>\$ 615,221</b>
<b>Liabilities and equity:</b>			
Accounts payable and accrued liabilities	\$ 471,813	\$ 651	\$ 472,464
Notes payable	34,880	-	34,880
<b>Total liabilities</b>	<b>506,693</b>	<b>651</b>	<b>507,344</b>
<b>Equity of:</b>			
Hovnanian Enterprises, Inc.	73,142	209	73,351
Others	34,518	8	34,526
<b>Total equity</b>	<b>107,660</b>	<b>217</b>	<b>107,877</b>
<b>Total liabilities and equity</b>	<b>\$ 614,353</b>	<b>\$ 868</b>	<b>\$ 615,221</b>
<b>Debt to capitalization ratio</b>	<b>24%</b>	<b>0%</b>	<b>24%</b>

<b>October 31, 2021</b>			
<b>(In thousands)</b>	<b>Homebuilding</b>	<b>Land Development</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 132,963	\$ 1,972	\$ 134,935
Inventories	442,347	-	442,347
Other assets	34,551	-	34,551
<b>Total assets</b>	<b>\$ 609,861</b>	<b>\$ 1,972</b>	<b>\$ 611,833</b>
<b>Liabilities and equity:</b>			
Accounts payable and accrued liabilities	\$ 386,117	\$ 1,681	\$ 387,798
Notes payable	73,994	-	73,994
<b>Total liabilities</b>	<b>460,111</b>	<b>1,681</b>	<b>461,792</b>
<b>Equity of:</b>			
Hovnanian Enterprises, Inc.	58,460	254	58,714
Others	91,290	37	91,327
<b>Total equity</b>	<b>149,750</b>	<b>291</b>	<b>150,041</b>
<b>Total liabilities and equity</b>	<b>\$ 609,861</b>	<b>\$ 1,972</b>	<b>\$ 611,833</b>
<b>Debt to capitalization ratio</b>	<b>33%</b>	<b>0%</b>	<b>33%</b>

As of October 31, 2022 and 2021, we had advances outstanding of \$1.6 million and \$2.2 million, respectively, to these unconsolidated joint ventures. These amounts were included in “Accounts payable and accrued liabilities” in the tables above. On our Consolidated Balance Sheets, our “Investments in and advances to unconsolidated joint ventures” amounted to \$74.9 million and \$60.9 million at October 31, 2022 and 2021, respectively. In some cases, our net investment in these unconsolidated joint ventures is less than our proportionate share of the equity reflected in the table above because of the differences between asset impairments recorded against our unconsolidated joint venture investments and any impairments recorded in the applicable unconsolidated joint venture. Impairments of unconsolidated joint venture investments are recorded at fair value while impairments recorded in the unconsolidated joint venture are recorded when undiscounted cash flows trigger the impairment. During the years ended October 31, 2022 and 2021, we did not write-down any of our unconsolidated joint venture investments.

<b>For The Year Ended October 31, 2022</b>			
<b>(In thousands)</b>	<b>Homebuilding</b>	<b>Land Development</b>	<b>Total</b>
Revenues	\$ 351,767	\$ 113	\$ 351,880
Cost of sales and expenses	(318,788)	(37)	(318,825)
<b>Joint venture net income</b>	<b>\$ 32,979</b>	<b>\$ 76</b>	<b>\$ 33,055</b>
<b>Our share of net income</b>	<b>\$ 29,002</b>	<b>\$ 31</b>	<b>\$ 29,033</b>

**For The Year Ended October 31, 2021**

<b>(In thousands)</b>	<b>Land</b>		
	<b>Homebuilding</b>	<b>Development</b>	<b>Total</b>
Revenues	\$ 347,898	\$ 691	\$ 348,589
Cost of sales and expenses	(335,077)	(209)	(335,286)
Joint venture net income	\$ 12,821	\$ 482	\$ 13,303
Our share of net income	\$ 8,754	\$ 195	\$ 8,949

**For The Year Ended October 31, 2020**

<b>(In thousands)</b>	<b>Land</b>		
	<b>Homebuilding</b>	<b>Development</b>	<b>Total</b>
Revenues	\$ 435,077	\$ 13,024	\$ 448,101
Cost of sales and expenses	(420,977)	(11,225)	(432,202)
Joint venture net income	\$ 14,100	\$ 1,799	\$ 15,899
Our share of net income	\$ 16,904	\$ 17	\$ 16,921

“Income (loss) from unconsolidated joint ventures” in the Consolidated Statements of Operations reflects our proportionate share of income or loss from these unconsolidated homebuilding and land development joint ventures. The difference between our share of the income or loss from these unconsolidated joint ventures in the tables above compared to the Consolidated Statements of Operations is due primarily to the reclassification of the intercompany portion of management fee income from certain unconsolidated joint ventures and the deferral of income for lots purchased by us from certain unconsolidated joint ventures.

The reason “Our share of net income” is higher or lower than the “Joint venture net income” shown in the tables above for the years ended October 31, 2022 and 2021, respectively, is because we have varying ownership percentages, ranging from 20% to over 50%, in our seven and ten unconsolidated joint ventures for both periods, respectively. Therefore, depending on mix, if the unconsolidated joint ventures in which we have higher sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a higher overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage; conversely, if the unconsolidated joint ventures in which we have lower sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a lower overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage. For the year ended October 31, 2022, “Our share of net income” was lower than the “Joint venture net income” due to increased income on two of our newer unconsolidated joint ventures during the year for which we currently recognize a lower profit-sharing percentage based on the joint venture agreements, a third unconsolidated joint venture which we recognize a lower profit-sharing percentage having higher profit in the current period, and a fourth unconsolidated joint venture that generated profit that we did not recognize due to the fact that we had previously written off our investment balance in the unconsolidated joint venture. For the year ended October 31, 2021, “Our share of net income” was lower than the “Joint venture net income” due to increased income on one of our newer unconsolidated joint ventures during the year for which we currently recognize no share percentage of the profit based on the joint venture agreement, and a second unconsolidated joint venture which we recognize a lower profit-sharing percentage having higher profit in the current period. In addition, for the year ended October 31, 2022, we had written off our investment in one of our unconsolidated joint ventures that was generating losses and therefore we currently do not recognize those losses. For the year ended October 31, 2021, we had written off our investment in two of our unconsolidated joint ventures that were generating losses and therefore we did not recognize those losses. Had we not fully written off our investment, our share of the net loss in this unconsolidated joint venture would have been approximately 50%, which would have reduced our overall share of net income across all of our unconsolidated joint ventures. As a result, these unconsolidated joint venture losses significantly reduce the profit when looking at all seven and ten of our unconsolidated joint ventures, respectively, in the aggregate, without having any impact on our share of net income or loss recorded in the applicable period.

To compensate us for the administrative services we provide as the manager of certain unconsolidated joint ventures, we receive a management fee based on a percentage of the applicable unconsolidated joint venture’s revenues. These management fees, which totaled \$12.5 million, \$11.6 million and \$16.0 million for the years ended October 31, 2022, 2021 and 2020, are recorded in “Selling, general and administrative” homebuilding expenses in the Consolidated Statements of Operations.

Typically, our unconsolidated joint ventures obtain separate project specific mortgage financing. For some of our unconsolidated joint ventures, obtaining financing was challenging, therefore, some of our unconsolidated joint ventures are capitalized only with equity. Any unconsolidated joint venture financing is on a nonrecourse basis, with guarantees from us limited only to performance and completion of development, environmental warranties and indemnification, standard indemnification for fraud, misrepresentation and other similar actions, including a voluntary bankruptcy filing. In some instances, the unconsolidated joint venture entity is considered a VIE under ASC 810 due to the returns being capped to the equity holders; however, in these instances, we have determined that we are not the primary beneficiary, and therefore we do not consolidate these entities.

**21. Fair Value of Financial Instruments**

ASC 820, "Fair Value Measurements and Disclosures", provides a framework for measuring fair value and establishes a fair-value hierarchy which prioritizes the use of observable inputs when measuring fair value. The fair value hierarchy can be summarized as follows:

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

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

<b>(In thousands)</b>	<b>Fair Value Hierarchy</b>	<b>Fair Value at October 31, 2022</b>	<b>Fair Value at October 31, 2021</b>
Mortgage loans held for sale (1)	Level 2	\$ 110,548	\$ 151,059
Forward contracts	Level 2	752	(107)
<b>Total</b>		<b>\$ 111,300</b>	<b>\$ 150,952</b>
Interest rate lock commitments	Level 3	-	152
<b>Total</b>		<b>\$ 111,300</b>	<b>\$ 151,104</b>

(1) The aggregate unpaid principal balance was \$110.2 million and \$146.5 million at October 31, 2022 and 2021, respectively.

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

The financial services segment had a pipeline of loan applications in process of \$583.6 million at October 31, 2022. Loans in process for which interest rates were committed to the borrowers totaled \$96.8 million as of October 31, 2022. Substantially all of these commitments were for periods of 60 days or less. Since a portion of these commitments is expected to expire without being exercised by the borrowers, the total commitments do not necessarily represent future cash requirements.

In addition, the financial services segment uses investor commitments and forward sales of mandatory MBS to hedge its mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk is managed by entering into MBS forward commitments, option contracts with investment banks, federally regulated bank affiliates and loan sales transactions with permanent investors meeting the segment's credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option contracts. At October 31, 2022, we had open commitments amounting to \$4.0 million to sell MBS with varying settlement dates through December 13, 2022.

The assets accounted for using the fair value option are initially measured at fair value. Subsequent changes in fair value are recognized in the Consolidated Statements of Operations in “Financial services” revenue. Changes in fair value that are included in income are shown, by financial instrument and financial statement line item, below:

Year Ended October 31, 2022			
(In thousands)	Mortgage Loans Held for Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 385	\$ -	\$ 752

Year Ended October 31, 2021			
(In thousands)	Mortgage Loans Held for Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 4,580	\$ 152	\$ (107)

Year Ended October 31, 2020			
(In thousands)	Mortgage Loans Held for Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 3,928	\$ 11	\$ (28)

Assets measured at fair value on a nonrecurring basis are those assets for which we have recorded valuation adjustments and write-offs during the years ended October 31, 2022 and 2021. The assets measured at fair value on a nonrecurring basis are all within our homebuilding operations and are summarized below:

Year Ended October 31, 2022				
(In thousands)	Fair Value Hierarchy	Pre- Impairment Amount	Total Losses	Fair Value
Land and land options held for future development or sale	Level 3	\$ 10,558	\$ (8,374)	\$ 2,184

Year Ended October 31, 2021				
(In thousands)	Fair Value Hierarchy	Pre- Impairment Amount	Total Losses	Fair Value
Sold and unsold homes and lots under development	Level 3	\$ 11,522	\$ (2,009)	\$ 9,513

We recorded inventory impairments, which are included in the Consolidated Statements of Operations as “Inventory impairments and land option write-offs” and deducted from inventory of \$8.4 million, \$2.0 million and \$2.0 million for the years ended October 31, 2022, 2021 and 2020, respectively (see Note 12).

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

The fair value of each series of our notes and credit facilities are listed below. Level 3 measurements are estimated based on third-party broker quotes or management's estimate of the fair value based on available trades for similar debt instruments.

#### Fair Value as of October 31, 2022

(In thousands)	Level 1	Level 2	Level 3	Total
<b>Senior Secured Notes:</b>				
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025	-	-	165,844	165,844
7.75% Senior Secured 1.125 Lien Notes due February 15, 2026	-	-	240,393	240,393
10.5% Senior Secured 1.25 Lien Notes due February 15, 2026	-	-	272,966	272,966
11.25% Senior Secured 1.5 Lien Notes due February 15, 2026	-	-	162,566	162,566
<b>Senior Notes:</b>				
13.5% Senior Notes due February 1, 2026	-	-	94,282	94,282
5.0% Senior Notes due February 1, 2040	-	-	55,654	55,654
<b>Senior Credit Facilities:</b>				
Senior Unsecured Term Loan Credit Facility due February 1, 2027	-	-	31,301	31,301
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	85,247	85,247
<b>Total fair value</b>	\$ -	\$ -	\$ 1,108,253	\$ 1,108,253

#### Fair Value as of October 31, 2021

(In thousands)	Level 1	Level 2	Level 3	Total
<b>Senior Secured Notes:</b>				
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025	-	-	167,348	167,348
7.75% Senior Secured 1.125 Lien Notes due February 15, 2026	-	-	366,426	366,426
10.5% Senior Secured 1.25 Lien Notes due February 15, 2026	-	-	300,913	300,913
11.25% Senior Secured 1.5 Lien Notes due February 15, 2026	-	-	162,548	162,548
<b>Senior Notes:</b>				
13.5% Senior Notes due February 1, 2026	-	-	92,331	92,331
5.0% Senior Notes due February 1, 2040	-	-	63,084	63,084
<b>Senior Credit Facilities:</b>				
Senior Unsecured Term Loan Credit Facility due February 1, 2027	-	-	28,196	28,196
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	86,046	86,046
<b>Total fair value</b>	\$ -	\$ -	\$ 1,266,892	\$ 1,266,892

The Senior Secured Revolving Credit Facility is not included in the above tables because there were no borrowings outstanding thereunder as of October 31, 2022 and 2021.

## DESCRIPTION OF CAPITAL STOCK

The following description of the common stock and preferred stock of Hovnanian Enterprises, Inc. (“Hovnanian” or the “Company”) summarizes the material terms and provisions of the common stock and the preferred stock. For the complete terms of our common stock and preferred stock, please refer to Hovnanian’s restated certificate of incorporation, the “Restated Certificate of Incorporation,” amended and restated bylaws, the “Amended and Restated By-Laws” and Amended Rights Plan (as defined below). The terms of these securities may also be affected by the General Corporation Law of the State of Delaware. The summary below is qualified in its entirety by reference to the Restated Certificate of Incorporation, Amended and Restated By-laws and Amended Rights Plan.

The authorized capital stock of Hovnanian is 18,500,000 shares, consisting of 16,000,000 shares of Class A Common Stock, par value \$.01 per share, the “Class A Common Stock”, 2,400,000 shares of Class B Common Stock, par value \$.01 per share, the “Class B Common Stock” and together with the Class A Common Stock, the “Common Stock”, and 100,000 shares of preferred stock, par value \$.01 per share, in the series and with the designations, powers, preferences and relative, participating, optional or other special rights thereof, and qualifications, limitations or restrictions thereon, as may be fixed from time to time by the Board of Directors of Hovnanian (the “Board of Directors”) for each series.

### Common Stock

As of October 31, 2022, 6,159,886 shares of Class A Common Stock and 733,374 shares of Class B Common Stock were issued and outstanding. The Class A Common Stock is traded on the New York Stock Exchange under the symbol “HOV”. There is no established public trading market for the Class B Common Stock. In order to trade Class B Common Stock, the shares must be converted into Class A Common Stock on a one-for-one basis. The outstanding Class A Common Stock and Class B Common Stock is fully paid and non-assessable. The rights, powers and preferences of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holder of shares of any series of preferred stock that Hovnanian may designate and issue.

*Dividends.* Subject to the rights of the holders of any outstanding preferred stock, and subject to any other provisions of the Restated Certificate of Incorporation, holders of Class A Common Stock and Class B Common Stock are entitled to receive dividends and other distributions (including stock splits or divisions of stock) in cash, stock or property of Hovnanian as may be declared thereon by the Board of Directors from time to time out of assets or funds of Hovnanian legally available therefor, *provided* that in the case of special cash dividends or distributions or dividends or distributions payable in preferred stock, holders of Class A Common Stock and Class B Common Stock shall be entitled to share ratably as a single class, and provided, further, that in the case of regular cash dividends, no such dividend shall be declared or paid on one class of common stock unless a cash dividend is simultaneously declared and paid on the other class of common stock, and any such dividend will be paid on the Class A Common Stock in an amount per share of Class A Common Stock equal to 110% of the amount of such dividend paid on each share of Class B Common Stock, and *provided, further*, that, in the case of dividends or other distributions payable in stock of Hovnanian other than preferred stock, including distributions pursuant to stock splits or divisions of stock of Hovnanian other than preferred stock, only shares of Class A Common Stock shall be distributed with respect to Class A Common Stock and only shares of Class B Common Stock in an amount per share equal to the amount per share paid with respect to the Class A Common Stock shall be distributed with respect to Class B Common Stock, and *provided, further*, that neither class of common stock may be combined or reclassified (including any reclassification in connection with a consolidation or merger in which Hovnanian is the continuing corporation) unless the other class of common stock is likewise combined or reclassified, and that, in the case of any such combination or reclassification of Class A Common Stock, the shares of Class B Common Stock shall also be combined or reclassified so that the number of issued shares of Class B Common Stock immediately following such combination or reclassification shall bear the same relationship to the number of issued shares immediately prior to such combination or reclassification as the number of issued shares of Class A Common Stock immediately following such combination or reclassification bears to the number of issued shares of Class A Common Stock immediately prior to such combination or reclassification.

Certain debt instruments to which Hovnanian is a party contain restrictions on the payment of cash dividends.

*Voting Rights.* Except as otherwise specifically provided in the Restated Certificate of Incorporation or as otherwise required by law, with respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Class A Common Stock and the holders of the outstanding shares of Class B Common Stock vote together without regard to class. Holders of Class A Common Stock are entitled to one vote for each share held by them on all matters presented to stockholders. Holders of Class B Common Stock are generally entitled to ten votes per share held by them on all matters presented to stockholders, *provided, however*, that each share of Class B Common Stock held of record in nominee name, to the extent of Hovnanian’s knowledge, is entitled to only one vote per share held; and provided, further, however, that the holder of any such share held in nominee name shall be entitled, notwithstanding the limitation of the foregoing proviso, to the number of votes to which such holder otherwise would be entitled at any meeting of stockholders of Hovnanian, to the extent such holder establishes to the satisfaction of Hovnanian that such share of Class B Common Stock has been held continuously since the date of issuance for the benefit or account of the same named beneficial owner of such shares (as defined in Paragraph (4)(E) of the Restated Certificate of Incorporation) or any Permitted Transferee thereof (as defined in Paragraph (4)(A) of the Restated Certificate of Incorporation).

*Liquidation Rights.* In the event the Company shall be liquidated (either partially or completely), dissolved or wound up, whether voluntarily or involuntarily, the holders of the Class A Common Stock and the Class B Common Stock shall be entitled to share ratably as a single class in the net assets of the Company available to the holders of Common Stock.

*Preemptive and Other Rights.* The holders of Common Stock do not have preemptive rights as to additional issues of Common Stock or conversion rights. The shares of Common Stock are not subject to redemption or to any further calls or assessments and are not entitled to the benefit of any sinking fund provisions.

### *Conversion of Class B Common Stock into Class A Common Stock.*

(A) Each share of Class B Common Stock may, at any time or from time to time, at the option of the holder thereof, be converted into one fully paid and nonassessable share of Class A Common Stock, in the manner described in Paragraphs 3(A) to 3(D) of the Restated Certificate of Incorporation. All shares of Class A Common Stock which shall be issued upon conversion of the Class B Common Stock will, upon issuance, be fully paid and nonassessable and not subject to any preemptive rights.

(B) All issued shares of Class B Common Stock shall be deemed, without further action on the part of any person, to be immediately and automatically converted into shares of Class A Common Stock (in which case, the Class B Common Stock shall automatically be cancelled and shall no

longer be authorized for issuance) in each of the instances set forth below:

(i) If and when on any record date for determining the stockholders entitled to participate in any dividend or distribution on the Common Stock of the Company, or any annual or special meeting of stockholders or action of common stockholders by written consent, the number of issued and outstanding shares of Class B Common Stock is less than 5% of the aggregate number of shares of Class A Common Stock and Class B Common Stock then outstanding; and

(ii) In the event that the Board of Directors, by a majority vote thereof, determines that there has been a material adverse change in the liquidity of the market for, or the marketability of, the then outstanding shares of Class A Common Stock due to a delisting of the Class A Common Stock from a national securities exchange or the cessation of the quotation of bids for the Class A Common Stock in any quotation system operated by an association of securities dealers, or due to requirements of federal or state law applicable to trading in the Class A Common Stock, attributable to the existence of the Class A Common Stock and Class B Common Stock.

(C) Except as provided in the Restated Certificate of Incorporation, shares of Class B Common Stock that are converted into shares of Class A Common Stock shall be restored to the status of authorized but unissued shares of Class B Common Stock and may again be issued by the Company as permitted in accordance with the terms of the Restated Certificate of Incorporation.

*Merger and Consolidation.* In the event of a merger, consolidation, acquisition, tender offer, recapitalization, reorganization or other business combination to which the Company is a party (whether or not the Company is the surviving corporation), in which shares of Class A Common Stock and Class B Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then, and in such event, each share of Class A Common Stock and Class B Common Stock shall be entitled to receive the same per share consideration pursuant to such merger, consolidation, acquisition, tender offer, recapitalization, reorganization or other business combination unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and by the affirmative vote of the holders of a majority of the outstanding shares of Class B Common Stock, each voting separately as a class.

*Transfer Restrictions in the Restated Certificate of Incorporation.* The Restated Certificate of Incorporation contains certain provisions that restrict certain transfers of Class A Common Stock in order to preserve the tax treatment of the Company's net operating loss carryforwards and built-in losses under Section 382 of the Internal Revenue Code, or "NOLs". Subject to certain exceptions pertaining to pre-existing 5% stockholders and holders of Class B Common Stock, the transfer restrictions in the Restated Certificate of Incorporation generally restrict any direct or indirect transfer (such as transfers of the stock that result from the transfer of interests in other entities that own the stock if the effect would be to: (i) increase the direct or indirect ownership of Hovnanian's stock by any person (or public group) from less than 5% to 5% or more of Hovnanian's Common Stock; (ii) increase the percentage of Hovnanian's Common Stock owned directly or indirectly by a person (or public group) owning or deemed to own 5% or more of Hovnanian's Common Stock; or (iii) create a new "public group" (as defined in the applicable Treasury regulations). Transfers included under the transfer restrictions include sales to persons (or public groups) whose resulting percentage ownership (direct or indirect) of Common Stock would exceed the 5% thresholds discussed above, or to persons whose direct or indirect ownership of Common Stock would by attribution cause another person (or public group) to exceed such threshold.

*Consequences of Prohibited Transfers.* In accordance with the Restated Certificate of Incorporation, any direct or indirect transfer attempted in violation of the restrictions would be void as of the date of the purported transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of Class A Common Stock would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) would not be recognized as the owner of the shares owned in violation of the restrictions for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of such Class A Common Stock, or in the case of options, receiving Class A Common Stock in respect of their exercise. Class A Common Stock purportedly acquired in violation of the transfer restrictions is referred to as "excess stock."

In addition to the purported transfer being void as of the date of the purported transfer, upon demand, the purported transferee must transfer the excess stock to Hovnanian's agent along with any dividends or other distributions paid with respect to such excess stock. Hovnanian's agent is required to sell such excess stock in an arms' length transaction (or series of transactions) that would not constitute a violation under the transfer restrictions. The net proceeds of the sale, together with any other distributions with respect to such excess stock received by Hovnanian's agent, after deduction of all costs incurred by the agent, will be distributed first to the purported transferee in an amount, if any, up to the cost (or in the case of gift, inheritance or similar transfer, the fair market value of the excess stock on the date of the violative transfer) incurred by the purported transferee to acquire such excess stock, and the balance of the proceeds, if any, will be distributed to a charitable beneficiary. If the excess stock is sold by the purported transferee, such person will be treated as having sold the excess stock on behalf of the agent, and will be required to remit all proceeds to Hovnanian's agent (except to the extent Hovnanian grants written permission to the purported transferee to retain an amount not to exceed the amount such person otherwise would have been entitled to retain had Hovnanian's agent sold such shares).

To the extent permitted by law, any stockholder who knowingly violates the transfer restrictions will be liable for any and all damages suffered by Hovnanian as a result of such violation, including damages resulting from a reduction in or elimination of the ability to utilize the NOLs and any professional fees incurred in connection with addressing such violation.

With respect to any transfer of Class A Common Stock which does not involve a transfer of "securities" of Hovnanian within the meaning of the General Corporation Law of the State of Delaware but which would cause any 5% stockholder to violate the transfer restrictions, the following procedure will apply in lieu of those described above. In such case, no such 5% stockholder shall be required to dispose of any interest that is not a security of Hovnanian, but such 5% stockholder and/or any person whose ownership of securities of Hovnanian is attributed to such 5% stockholder will be deemed to have disposed of (and will be required to dispose of) sufficient securities, simultaneously with the transfer, to cause such 5% stockholder not to be in violation of the transfer restrictions, and such securities will be treated as excess stock to be disposed of through the agent under the provisions summarized above, with the maximum amount payable to such 5% stockholder or such other person that was the direct holder of such excess stock from the proceeds of sale by the agent being the fair market value of such excess stock at the time of the prohibited transfer.

*Exceptions.* The Board of Directors has the discretion to approve transfers that would otherwise be restricted by the Restated Certificate of Incorporation.

## **Preferred Stock**

The Restated Certificate of Incorporation authorizes the Board of Directors to issue from time to time up to 100,000 shares of preferred stock, in one or more series, and to fix the number of shares in each series and the designations, powers, preferences and relative, participating, optional or other

special rights thereof, and qualifications, limitations or restrictions thereof. The preferred stock may be issued by the Board of Directors without further action by Hovnanian's stockholders as an anti-takeover device. As of October 31, 2022, 5,600 shares of Hovnanian's preferred stock were issued and outstanding, consisting of entirely of Hovnanian's 7.625% Series A Preferred Stock (liquidation preference \$25,000.00 per share) par value \$.01 per share, the "Series A Preferred Stock".

### **7.625% Series A Preferred Stock**

*Dividends.* Dividends on the Series A Preferred Stock are not cumulative. The Series A Preferred Stock ranks senior to Hovnanian's Common Stock with respect to the payment of dividends to the extent provided in the Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock, or the "Certificate". The Certificate provides that unless dividends have been declared and paid or set apart for payment on the Series A Preferred Stock for the then-current quarterly dividend period, no dividend may be declared or paid or set apart for payment on Hovnanian's Common Stock for that period, other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, the Common Stock of Hovnanian or any other stock of Hovnanian ranking, as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of Hovnanian, junior to the Series A Preferred Stock.

The Series A Preferred Stock is traded as depositary shares, with each depositary share representing 1/1,000th of a share of Series A Preferred Stock, and is listed on the Nasdaq Global Market under the symbol "HOVNP".

*Voting Rights.* The Series A Preferred Stock has no voting rights except as provided for in the Certificate or as otherwise required by law. However, so long as any shares of Series A Preferred Stock are outstanding, Hovnanian will not, without the vote of the holders of at least a majority of the shares of the Series A Preferred Stock, (1) authorize, create or issue any capital stock of Hovnanian ranking, as to dividends or upon liquidation, dissolution or winding up, senior to the Series A Preferred Stock, or reclassify any authorized capital stock of Hovnanian into any such shares of such capital stock, or issue any obligation or security convertible into or evidencing the right to purchase any such shares, or (2) amend, alter or repeal the Certificate, or the Restated Certificate of Incorporation, whether by merger, consolidation or otherwise, in a way that adversely affects the powers, preferences or special rights of the Series A Preferred Stock. Any increase in the amount of authorized Common Stock or preferred stock or any increase or decrease in the number of shares of any series of preferred stock or the authorization, creation and issuance of other classes or series of stock, in each case ranking equally with or junior to the Series A Preferred Stock will not be deemed to adversely affect such powers, preferences or special rights.

*Optional Redemption.* Hovnanian may, at its option, redeem the Series A Preferred Stock, in whole or, from time to time, in part, upon not less than 30 nor more than 60 days' notice, at a price per share equal to the liquidation preference plus accrued and unpaid dividends (whether earned or not earned or declared) for the then-current quarterly dividend period to the redemption date (but without accumulation of any undeclared dividends from prior dividend periods), if any, *provided, however*, that any redemption that would reduce the aggregate liquidation preference of the Series A Preferred Stock outstanding to \$25 million or less in the aggregate would be restricted to a redemption in whole only. There is no sinking fund for the redemption or purchase of the Series A Preferred Stock. Holders of the Series A Preferred Stock will have no right to require the redemption of the Series A Preferred Stock.

*Maturity.* The Series A Preferred Stock does not have a maturity date, and Hovnanian is not required to redeem the Series A Preferred Stock. In addition, Hovnanian is not required to set aside funds to redeem the Series A Preferred Stock.

*Liquidation Preference.* The Series A Preferred Stock has liquidation preferences over Hovnanian's Common Stock. Upon any liquidation, dissolution or winding up of Hovnanian, the holders of the Series A Preferred Stock will be entitled to receive out of the assets of Hovnanian available for distribution to its stockholders, an amount equal to the liquidation preference of \$25,000 per share plus all accrued and unpaid dividends for the then-current quarterly dividend period to but excluding the date of final distribution, but without accumulation of unpaid dividends on the Series A Preferred Stock, before any payment or distribution out of Hovnanian's assets may be made to or set apart for the holders of Hovnanian's Common Stock or other junior equity. If, upon any liquidation, dissolution or winding up of Hovnanian, the assets of Hovnanian, or proceeds thereof, distributable among the holders of shares Series A Preferred Stock and any stock ranking equally with the Series A Preferred Stock shall be insufficient to pay in full the preferential amounts to which such stock would be entitled, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full (but without, in the case of any non-cumulative preferred stock, accumulation of unpaid dividends for prior dividend periods). Neither a consolidation nor merger of Hovnanian, nor a sale, lease, exchange or transfer of all or substantially all of Hovnanian's assets will be deemed to be a liquidation, dissolution or winding up of Hovnanian.

### **Depositary Shares**

Each depositary share represents 1/1,000th of a share of Series A Preferred Stock. The depositary shares are evidenced by depositary receipts, and the underlying shares of Series A Preferred Stock have been deposited pursuant to a deposit agreement among Hovnanian, Computershare Trust Company, N.A. as successor depositary, and the holders of the depositary receipts. Subject to the terms of the deposit agreement, the depositary shares are entitled to all the rights and preferences of the Series A Preferred Stock in proportion to the applicable fraction of a share of preferred stock represented by such depositary share.

*Dividends and Other Distributions.* The depositary will distribute all cash dividends and other cash distributions received on the Series A Preferred Stock to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder. In the event of a distribution other than in cash, the depositary will distribute property received by it to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder.

The depositary will distribute dividends and other distributions only in an amount that can be distributed without attributing to any holder of depositary receipts a fraction of one cent. Any balance not so distributable will be held by the depositary and will be added to the next sum received by the depositary for distribution.

*Taxes and Other Governmental Charges.* Hovnanian pays all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. Hovnanian pays charges of the depositary in connection with the deposit of Series A Preferred Stock and any redemption of Series A Preferred Stock. The amount paid as dividends or otherwise distributable by the depositary with respect to the depositary shares or the underlying Series A Preferred Stock is reduced by any amounts required to be withheld by Hovnanian or the depositary on account of taxes or other governmental charges. Holders of depositary receipts pay other transfer and other taxes and governmental charges and such other charges, including a fee for the withdrawal of shares of Series A Preferred Stock upon surrender of depositary receipts, as are expressly provided in the deposit agreement to be for their accounts. The depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any depositary shares or shares of Series A Preferred Stock, until such taxes or other governmental charges are paid.

*Redemption of Depositary Shares.* If Hovnanian redeems the Series A Preferred Stock, in whole or in part, the corresponding depositary shares will also be redeemed. The redemption price per depositary share will be equal to 1/1,000th of the redemption price per share of Series A Preferred Stock.

*Withdrawal of Series A Preferred Stock.* Underlying shares of Series A Preferred Stock may be withdrawn from the depositary arrangement upon surrender of depositary receipts and upon payment of the taxes, charges and fees provided for in the deposit agreement. Subject to the terms of the deposit agreement, the holder of depositary receipts will receive the appropriate number of shares of Series A Preferred Stock and any money or property represented by such depositary shares. Only whole shares of Series A Preferred Stock may be withdrawn; if a holder holds an amount other than a whole multiple of 1,000 depositary shares, the depositary will deliver along with the withdrawn shares of Series A Preferred Stock a new depositary receipt evidencing the excess number of depositary shares. Except as described in the deposit agreement, holders of withdrawn shares of Series A Preferred Stock will not be entitled to redeposit such shares or to receive depositary shares.

*Voting Rights.* Because each depositary share represents ownership of 1/1,000th of a share of Series A Preferred Stock, and each share of Series A Preferred Stock is entitled to a vote per share based on liquidation preference under the limited circumstances described above, holders of depositary receipts are entitled to 1/1,000th of such vote per depositary share under such limited circumstances.

### ***Amended Rights Plan***

On July 29, 2008, the Board of Directors adopted a stockholder rights plan and declared a dividend of one preferred share purchase right for each outstanding share of Class A Common Stock and Class B Common Stock, which was subsequently paid to stockholders of record as of August 15, 2008. On August 14, 2008, Hovnanian and Computershare Trust Company, N.A. (as successor to National City Bank), as Rights Agent, entered into the Rights Agreement (the “Rights Agreement”) (as amended by Amendment No. 1, dated January 11, 2018 (“Amendment No. 1”), and Amendment No. 2, dated as of January 18, 2021 (“Amendment No. 2” and the Rights Agreement as amended thereby, the “Amended Rights Plan”). Under Amendment No. 2, (i) each preferred stock purchase right, if exercisable, will initially represent the right to purchase from Hovnanian one ten-thousandth of a share of Hovnanian’s Series B Junior Preferred Stock, par value \$0.01 per share (the “Series B Preferred Stock”), for a purchase price of \$171.85 (the “Purchase Price”) (which Purchase Price was modified in light of the trading price of Hovnanian’s Class A Common Stock since the adoption of Amendment No. 1, after giving effect to Hovnanian’s 1-for-25 reverse stock split effected on March 29, 2019), (ii) the Final Expiration Date (as defined in the Rights Agreement) is extended to August 14, 2024, (iii) in the event rights certificates are distributed, such certificates will not need to be affixed with a corporate seal and may be signed by electronic signature and (iv) notwithstanding any prior adjustments, each share of the Hovnanian’s Class A Common Stock and Class B Common Stock entitles the holder thereof to one right, representing the right to purchase from Hovnanian one ten-thousandth of a share of Series B Preferred Stock at the Purchase Price (subject to certain adjustments). If issued, each fractional share of Series B Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of Hovnanian’s Class A Common Stock. However, prior to exercise, a right does not give its holder any rights as a stockholder of Hovnanian, including without limitation any dividend, voting or liquidation rights.

The Board of Directors adopted the Amended Rights Plan in an effort to preserve stockholder value by attempting to protect against a possible limitation on Hovnanian’s ability to use its NOLs to reduce potential future federal income tax obligations. Any person or group that acquires 4.9% or more of the outstanding shares of Class A Common Stock without the approval of the Board of Directors is referred to as an “Acquiring Person.”

*Exercisability.* The rights will not be exercisable until the earlier of (i) 10 business days after a public announcement by us that a person or group has become an Acquiring Person and (ii) 10 business days after the commencement of a tender or exchange offer by a person or group for 4.9% of the Class A Common Stock.

Until the date that the rights become exercisable, the “Distribution Date,” the rights are evidenced by Hovnanian’s Class A Common Stock and Class B Common Stock certificates which contain a notation to that effect. Any transfer of shares of Class A Common Stock and/or Class B Common Stock prior to the Distribution Date constitutes a transfer of the associated rights. After the Distribution Date, the rights may be transferred separately from the transfer of the underlying shares of Class A Common Stock or Class B Common Stock. After the Distribution Date, each holder of a right, other than rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a right and payment of the Purchase Price, that number of shares of Class A Common Stock or Class B Common Stock, as the case may be, having a market value of two times the Purchase Price.

*Exchange.* After the Distribution Date, the Board of Directors may exchange the rights (other than rights owned by an Acquiring Person which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock, or a fractional share of Series B Preferred Stock (or of a share of a similar class or series of Hovnanian’s preferred stock having similar rights, preferences and privileges) of equivalent value, per right (subject to adjustment).

*Expiration.* The Amended Rights Plan will continue in effect until August 14, 2024, unless it expires earlier in accordance with its terms.

*Redemption.* At any time prior to the time an Acquiring Person becomes such, the Board of Directors may redeem the rights in whole, but not in part, at a price of \$0.01 per right, the “Redemption Price.” The redemption of the rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the rights, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the Redemption Price.

*Anti-Dilution Provisions.* The Board of Directors may adjust the purchase price of the preferred shares, the number of preferred shares issuable and the number of outstanding rights to prevent dilution that may occur as a result of certain events, including among others, a stock dividend, a stock split or a reclassification of the preferred stock or Common Stock. No adjustments to the purchase price of less than 1% will be made.

*Amendments.* Before the Distribution Date, the Board of Directors may amend or supplement the Amended Rights Plan without the consent of the holders of the rights. After the Distribution Date, the Board of Directors may amend or supplement the Amended Rights Plan only to cure an ambiguity, to alter time period provisions, to correct inconsistent provisions, or to make any additional changes to the Amended Rights Plan, but only to the extent that those changes do not impair or adversely affect any rights holder.

*Exceptions.* The Board of Directors may exempt any person or group from triggering the dilutive effect of the Amended Rights Plan.

### ***Series B Junior Preferred Stock***

*Dividends.* Subject to the rights of the holders of any shares of any series of preferred stock ranking prior to the Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock, in preference to the holders of Common Stock of the Company, and of any other junior stock, will be entitled to receive, when, as and if declared by the Board out of funds legally available for the purpose, dividends payable in cash (except as otherwise provided below) on such dates as are from time to time established for the payment of dividends on the Common Stock (each such date being referred to herein as a “Dividend Payment Date”), commencing on the first Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock (the “First Dividend Payment Date”), in an amount per share (rounded to the nearest cent) equal to, subject to the provision for adjustment discussed below, the greater of (i) \$1 and (ii) ten thousand (10,000) times the aggregate per share amount of all cash dividends, and ten thousand (10,000) times the aggregate per share amount (payable in kind) of all non-cash dividends, other than a dividend payable in shares of Common Stock, or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Dividend Payment Date or, with respect to the First Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event that the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series B Preferred Stock are then issued or outstanding, the amount to which holders of shares of Series B Preferred Stock would otherwise be entitled immediately prior to such event will be correspondingly adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

The Company will declare a dividend on the Series B Preferred Stock immediately after it declares a dividend on the Class A Common Stock and/or Class B Common Stock (other than a dividend payable in shares of Common Stock). Each such dividend on the Series B Preferred Stock will be payable immediately prior to the time at which the related dividend on the Class A Common Stock and/or Class B Common Stock is payable.

Dividends will accrue, and be cumulative, on outstanding shares of Series B Preferred Stock from the Dividend Payment Date next preceding the date of issue of such shares, subject to certain exceptions. Accrued but unpaid dividends will cumulate from the applicable Dividend Payment Date but will not bear interest.

*Voting Rights.* The holders of shares of Series B Preferred Stock have the following voting rights: (1) Subject to the provision for adjustment hereinafter set forth and except as otherwise provided in the Restated Certificate of Incorporation or required by law, each share of Series B Preferred Stock shall entitle the holder thereof to 10,000 votes, on all matters upon which the holders of the Common Stock of the Company are entitled to vote. In the event the Company shall at any time after the record date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event; (2) except as otherwise provided in the Certificate of Designation of Series B Junior Preferred Stock, in the Restated Certificate of Incorporation or in any other certificate of designations creating a series of preferred stock or any similar stock, and except as otherwise required by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Company having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Company; and (3) except as set forth in the Certificate of Designation of Series B Junior Preferred Stock, or as otherwise provided by law, holders of Series B Preferred Stock have no special voting rights and their consent is not required (except to the extent they are entitled to vote with holders of Common Stock as set forth in the Certificate of Designation of Series B Junior Preferred Stock) for taking any corporate action.

*Restrictions.* Whenever dividends or other dividends or distributions payable on the Series B Preferred Stock are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred outstanding have been paid in full, the Company will not: (1) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) (“Junior Stock”) to the shares of Series B Preferred Stock; (2) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) (“Parity Stock”) with the shares of Series B Preferred Stock, except dividends paid ratably on the shares of Series B Preferred Stock and all such Parity Stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; (3) redeem, purchase or otherwise acquire for consideration shares of any Junior Stock; provided, however, that the Company may at any time redeem, purchase or otherwise acquire shares of any such Junior Stock in exchange for shares of any other Junior Stock of the Company; or (4) redeem, purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of Parity Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, may determine in good faith will result in fair and equitable treatment among the respective series or classes. The Company will not permit any majority-owned subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under Section 4(a) of the Certificate of Designation of Series B Junior Preferred Stock, purchase or otherwise acquire such shares at such time and in such manner.

*Liquidation, Dissolution or Winding Up.* Upon any liquidation, dissolution or winding up of the Company, no distribution will be made (a) to the holders of shares of Junior Stock unless, prior thereto, the holders of shares of Series B Preferred Stock have received an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment; provided, however, that the holders of shares of Series B Preferred Stock will be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to a minimum per share liquidation payment of \$10,000 but will be entitled to an aggregate per share liquidation payment of 10,000 times the payment made per share of Common Stock or (b) to the holders of shares of Parity Stock, except distributions made ratably on the shares of Series B Preferred Stock and all such Parity Stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series B Preferred Stock are then issued or outstanding, the aggregate amount to which each holder of shares of Series B Preferred Stock would otherwise be entitled immediately prior to such event will be correspondingly adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

*Consolidation, Merger, etc.* In the event that the Company enters into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then, in each such case, each share of Series B Preferred Stock will at the same time be similarly exchanged for or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to ten thousand times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company at any time (a) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (b) subdivides the outstanding shares of Common Stock, (c) combines the outstanding shares of Common Stock in a smaller number of shares or (d) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series B Preferred Stock are then issued or outstanding, the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock will be correspondingly adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

# K. HOVNANIAN COMPANIES, LLC

## *Plan Document*

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**EXECUTIVE DEFERRED COMPENSATION PLAN**

**Amendment and Restatement**

**Effective January 1, 2022**

**Purpose**

This Plan was established to provide specified benefits to a select group of management and highly compensated Associates of Hovnianian Enterprises, Inc., a Delaware corporation, and its subsidiaries, if any, that sponsor this Plan. In addition, effective September 15, 2009, selected non-Associate members of the Board of Directors of Hovnianian Enterprises, Inc. became eligible to participate in certain features of the Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA, and is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). In order to facilitate administration and participant communications of certain changes to the Plan becoming effective January 1, 2005 due to Section 409A, certain documents associated with this Plan refer to that portion of this Plan relating to deferrals and credits made on or after January 1, 2005 as the "K. Hovnianian Enterprises, Inc. 2005 Executive Deferred Compensation Plan". Notwithstanding any such references, it is intended that, effective January 1, 2005, the official Plan document governing the terms and conditions of all Plan balances (whether attributable to deferrals/credits made before or after January 1, 2005) shall be this Plan document.

The purpose of this amendment and restatement of the Plan is to remove certain of its features that have not been utilized or that have ceased to be utilized, and to clarify certain governance and administrative elements of the Plan.

**ARTICLE 1**

**Definitions**

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

- 1.1 "Account Balance" shall mean, as applicable to a given Participant, a credit on the records of the Employer equal to the sum of (i) the Company Make-Whole Contribution Account balance and (ii) the Restricted Share Unit Deferral Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.
- 1.2 "Annual Company Make-Whole Contribution Amount" shall mean, for any one Plan Year, the amount determined in accordance with Section 3.3 of this Plan.
- 1.3 "Annual Installment Method" shall be an annual installment payment over one of the installment payout alternatives selected by the Participant in accordance with this Plan, calculated as follows (subject to Section 3.7): The Account Balance of the Participant shall be calculated as of the close of business on the date of reference (or, if the date of reference is not a business day, on the immediately following business day), and shall be paid during the ninety (90) day period thereafter unless otherwise provided herein. The date of reference with respect to the first annual installment payment shall be as provided in Section 5.2 and the date of reference with respect to subsequent annual installment payments shall be the anniversary of the first annual installment payment.

The installment payout alternatives available for election by the Participant with respect to his or her Retirement Benefit is substantially equal annual installments between two (2) and fifteen (15) years. The annual installment shall be calculated by multiplying the Account Balance by a fraction, the numerator of which is one (1), and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if a Participant elects a five (5) year Annual Installment Method, the first payout shall be one-fifth (1/5) of the Account Balance (or applicable portion thereof), calculated as described in this definition. Within ninety (90) days after the anniversary of the first annual installment payment, the payment shall be one-fourth (1/4) of the Account Balance (or applicable portion thereof), calculated as described in this definition.
- 1.4 "Associate" shall mean a person who is an employee of any Employer.
- 1.5 "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 8, that are entitled to receive benefits under this Plan upon the death of a Participant.
- 1.6 "Beneficiary Designation Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.
- 1.7 "Claimant" shall have the meaning set forth in Section 12.2 of this Plan.
- 1.8 "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.
- 1.9 "Committee" shall mean the committee described in Article 10 of this Plan which has been duly authorized by the Company to act on behalf of the Company in respect of the Plan.
- 1.10 "Company" shall mean K. Hovnianian Companies, LLC, a California corporation, and any successor to all or substantially all of the Company's assets or business.
- 1.11 "Company Make-Whole Contribution Account" shall mean (i) the sum of the Participant's Annual Company Make-Whole Contribution Amounts credited on or after January 1, 2005, plus (ii) amounts credited or debited in accordance with all the applicable crediting/debiting provisions of this Plan that relate to the Participant's Company Make-Whole Contribution Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Make-Whole Contribution Account.

- 1.12 "Deduction Limitation" shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are "subject to the Deduction Limitation" under this Plan. If an Employer reasonably anticipates that, if any distribution hereunder were made as scheduled, the Employer's deduction with respect to that distribution would not be permitted by reason of the limitation under Code Section 162(m), then the Employer may defer that distribution, provided that all distributions that could be deferred in accordance with this Section 1.12 are so deferred, and provided further that the Employer treats payments to all similarly situated Participants on a reasonably consistent basis. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.7 below, even if such amount is being paid out in installments. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) during the Participant's first taxable year in which the Employer reasonably anticipates, or should reasonably anticipate, that if the distribution is made during such year, the deduction of such payment will not be limited by Code Section 162(m). To the extent required under Section 409A, where payment to a Specified Employee is delayed pursuant to the preceding to a date on or after the Specified Employee's Separation from Service, the payment will be considered a payment upon a Separation from Service for purposes of the rules under Section 409A(a)(2)(B)(i) (generally requiring a six (6) month delay on distributions upon a Specified Employee's Separation from Service). In no event shall an election be provided to the Participant with respect to the timing of the payment under the preceding. Notwithstanding the foregoing, this Section 1.12 shall apply only to the extent permitted by Section 409A.
- 1.13 "Election Form" shall mean the form or forms established from time to time by the Committee that a Participant completes, signs and returns to the Committee to make an election under the Plan (which form or forms may take the form of an electronic transmission, if required or permitted by the Committee).
- 1.14 "Employer(s)" shall mean Hovnanian Enterprises, Inc. and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Committee to participate in the Plan and have adopted the Plan as a sponsor. For purposes of this Plan, "subsidiary" shall include entities required to be aggregated pursuant to Section 14.20.
- 1.15 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.
- 1.16 "Fiscal Year" shall mean a period beginning on November 1 of each calendar year and continuing through October 31 of the following calendar year.
- 1.17 "401(k) Plan" shall mean the Hovnanian Savings and Investment Retirement Plan, as it may be amended from time to time.
- 1.18 "Independent Director" shall mean a member of the Board of Directors of Hovnanian Enterprises, Inc. who is not an Associate.
- 1.19 "Participant" shall mean any Associate (i) who is determined by the Committee to be a member of a select group of management or highly compensated employees (within the meaning of ERISA), (ii) who is selected to participate in the Plan, and (iii)(A) who elects to participate in the Plan, (B) who signs a Plan Agreement, an Election Form and a Beneficiary Designation Form, (C) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee, (D) who commences participation in the Plan, and (E) whose Plan Agreement has not terminated. In addition, the term "Participant" shall also include any Independent Director who is selected to participate in the Plan and who satisfies the requirements of (iii)(A)-(E), above; provided that, notwithstanding anything herein that may suggest otherwise, on and after September 18, 2019, no Independent Directors who were not already Participants shall be selected for Plan participation. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an Account Balance under the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.
- 1.20 "Plan" shall mean this, the K. Hovnanian Companies, LLC Executive Deferred Compensation Plan, which shall be evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.
- 1.21 "Plan Agreement" shall mean a written agreement (which may take the form of an electronic transmission, if required or permitted by the Committee), as may be amended from time to time, which is entered into by and between an Employer and a Participant. Each Plan Agreement executed by a Participant and the Participant's Employer shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer shall supersede all previous Plan Agreements in their entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must, unless otherwise provided by the Plan Agreement, be agreed to by both the Employer and the Participant. In the Plan Agreement, each Participant shall acknowledge that he or she accepts all of the terms of the Plan, including the discretionary authority of the Committee as set forth in Article 10.
- 1.22 "Plan Year" shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.
- 1.23 "Restricted Share Unit Deferral Account" shall mean (i) the sum of the Participant's Restricted Share Unit deferrals deferred on or after January 1, 2005, plus (ii) amounts credited/debited in accordance with all the applicable crediting/debiting provisions of this Plan that relate to the Participant's Restricted Share Unit Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Restricted Share Unit Deferral Account.
- 1.24 "Restricted Share Units" shall mean awards for the future delivery of Stock granted under any stock incentive plan of Hovnanian Enterprises, Inc. or the Company pursuant to a "Restricted Share Unit Agreement" between Hovnanian Enterprises, Inc. and the Participant.
- 1.25 "Retirement", "Retire(s)" or "Retired" shall mean, with respect to an Associate or Independent Director, a Separation from Service for any reason other than a leave of absence or death on or after the earlier of the attainment of (a) age sixty-five (65) or (b) age fifty-five (55) with ten (10) Years of Service.
- 1.26 "Retirement Benefit" shall mean the benefit set forth in Article 5.
- 1.27 "Section 409A" shall mean Code Section 409A and the Treasury regulations or other authoritative guidance issued thereunder. Whenever the terms "subject to Section 409A" or "to the extent permitted by Section 409A" (or any such similar reference so as to indicate that a Plan provision is subject to Section 409A) are used, such terms shall be interpreted to mean that the applicable Plan provision shall be effective only if and to the extent such provision would not trigger penalty taxes or interest under Section 409A; except to the extent that Section 409A requires that such terms be disregarded because they purport to nullify Plan terms that are not in compliance with Section 409A.

- 1.28 "Separation from Service" shall mean, with respect to a Participant who is an Associate, the Participant's separation from service within the meaning of Section 409A, treating as a Separation from Service an anticipated permanent reduction in the level of bona fide services to twenty percent (20%) or less of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period (or the full period during which the Participant performed services for the Employer, if that is less than thirty-six (36) months). For this purpose, upon a sale or other disposition of the assets of the Employer to an unrelated purchaser, the Employer reserves the right to the extent permitted by Section 409A to determine whether Participants providing services to the purchaser after and in connection with the purchase transaction have experienced a Separation from Service. With respect to a Participant who is an Independent Director, the term "Separation from Service" shall mean that the Participant ceases to be a member of the Board of Directors of Hovnanian Enterprises, Inc.; provided, however, that such cessation of membership shall constitute a Separation from Service only if it qualifies as a separation from service within the meaning of Section 409A.
- 1.29 "Short-Term Payout" shall mean the payout set forth in Section 4.1 of this Plan.
- 1.30 "Specified Employee" shall mean, with respect to an Employer corporation any stock of which is publicly traded on an established securities market or otherwise, an individual who, as of the date of his or her Separation from Service, is a Key Employee, as currently defined in Code Section 416(i) (without regard to paragraph (5) thereof) to mean, as of the Effective Date, an employee of the corporation who, at any time during the twelve (12) month period ending on a Specified Employee identification date, is (a) an officer of the corporation having an annual compensation greater than two hundred thousand dollars (\$200,000) for 2022 (indexed for inflation in future years), (b) a five-percent (5%) owner of the corporation, or (c) a one-percent (1%) owner of the corporation having an annual compensation from the corporation of more than one hundred fifty thousand dollars (\$150,000).
- 1.31 "Stock" shall mean Hovnanian Enterprises, Inc. Class A or Class B common stock, \$.01 par value, or any other equity securities of Hovnanian Enterprises, Inc. or of the Company designated by the Committee.
- 1.32 "Termination Benefit" shall mean the benefit set forth in Article 7 of this Plan.
- 1.33 "Termination of Employment" shall mean the Separation from Service with all Employers, voluntarily or involuntarily, for any reason other than Retirement, death or an authorized leave of absence.
- 1.34 "Total Compensation" shall mean the Participant's compensation as defined by the Committee in its discretion (e.g., the Participant's base salary plus annual cash bonus).
- 1.35 "Trust" shall mean the trust, if any, established and maintained pursuant to this Plan, as amended from time to time. The assets of the Trust, if any, shall be the property of the Employer.
- 1.36 "Unforeseeable Financial Emergency" shall mean a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code Section 152 without regard to Code Section 152(b)(1), (b)(2) and (d)(1)(B)) or the Participant's beneficiary, (ii) a loss of the Participant's property due to casualty (including the need to rebuild a home following damage not otherwise covered by insurance, for example, not as a result of a natural disaster), or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant (e.g., imminent foreclosure or eviction from the Participant's primary residence, the need to pay for medical expenses, including non-refundable deductibles and prescription drugs, the need to pay funeral expenses of a spouse, dependent or beneficiary), all as determined in the sole discretion of the Committee (which discretion the Committee is bound to exercise, however, within the limits of Section 409A).
- 1.37 "Years of Service" shall mean, if the Participant is an Associate, the total number of full years in which the Participant has been employed by one or more Employers. For purposes of this definition, a year of employment shall be a 365-day period (or 366-day period in the case of a leap year) that, for the first year of employment, commences on the Associate's date of hiring and that, for any subsequent year, commences on an anniversary of that hiring date. Any partial year of employment shall not be counted. If the Participant is an Independent Director, the term "Years of Service" shall mean the total number of full years in which the Participant performs services as an Independent Director. For purposes of this definition, a year of service as an Independent Director shall be a 365-day period (or 366-day period in the case of a leap year) that, for the first year of service as an Independent Director, commences on the date the Participant becomes an Independent Director and that, for any subsequent year, commences on an anniversary of that date. Any partial year of service as an Independent Director shall not be counted.

## **ARTICLE 2**

### **Selection, Enrollment, Eligibility**

- 2.1 **Selection by Committee.** Participation in the Plan shall be limited to a select group of management and highly compensated Associates of the Employers and/or Independent Directors, as determined by the Committee in its sole discretion. From that group, the Committee shall select, in its sole discretion, Associates and/or Independent Directors to participate in any given feature(s) of the Plan for any given period(s).
- 2.2 **Enrollment Requirements.** The Committee may require that as a condition to participation, each selected Associate or Independent Director shall complete, execute and return to the Committee a Plan Agreement, an Election Form and a Beneficiary Designation Form (or to enroll using the Internet enrollment procedures established by the Committee, if any), all within 30 days after he or she is selected to participate in the Plan. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.
- 2.3 **Eligibility; Commencement of Participation.** Provided an Associate or Independent Director selected to participate in the Plan has met all enrollment requirements set forth in this Plan and/or required by the Committee, including returning all required documents to the Committee (or enrolling using the Internet enrollment procedures established by the Committee, if any) within the specified time period, that Associate or Independent Director shall commence participation in the Plan on the first day of the month following the month in which the Associate or Independent Director completes all enrollment requirements. If an Associate or Independent Director fails to meet all such requirements within the period required, in accordance with Section 2.2, that Associate or Independent Director shall not be eligible to participate in the Plan until the first day of the Plan Year (or Fiscal Year, as applicable in respect of the given Plan deferral feature) following the delivery to and acceptance by the Committee of the required documents. Notwithstanding anything in the Plan to the contrary, a Participant's eligibility to participate in any given feature of the Plan for any given period shall be in the sole discretion of the Committee. As part of its authority to select those Associates and/or Independent Directors who are eligible to participate in any given feature of the Plan for any given period, the Committee may document such selection through

the provision (for eligible Associates/Independent Directors) or the lack of provision (for ineligible Associates/Independent Directors) of the applicable enrollment materials for a given enrollment period.

- 2.4 **Termination of Participation and/or Deferrals.** If the Committee determines in good faith that a Participant who is an Associate no longer qualifies as a member of a select group of management or highly compensated Associates, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee shall have the right, in its sole discretion, to prevent the Participant from making future deferral elections and/or from being credited with any further contribution amounts. If the Committee determines that a Participant who is an Independent Director is no longer eligible to participate in the Plan, the Committee shall have the right, in its sole discretion, to prevent the Participant from making future deferral elections and/or from being credited with any further contribution amounts.

### **ARTICLE 3**

#### **Deferral Commitments/Company Contributions/Crediting/Taxes**

##### **3.1 Restricted Share Unit Deferrals.**

- (a) **Restricted Share Unit Deferrals.** Subject to any terms and conditions imposed by the Committee, a Participant whom the Committee designates, in its sole discretion, as eligible to make Restricted Share Unit deferrals for a given Restricted Share Unit deferral enrollment period (as established by the Committee) may elect to defer under the Plan Restricted Share Units for such period. Restricted Share Unit deferrals shall be credited (or continue to be credited) to the Participant on the books of the Company or the Employer in connection with such an election.
- (b) **No Additional Restricted Share Unit Deferrals.** Notwithstanding the preceding, as of January 1, 2022, unless and until the Committee elects to reactivate the Restricted Share Unit deferral feature of the Plan, no additional Restricted Share Unit deferrals shall be permitted; provided, however, that existing Restricted Share Unit deferrals shall continue to be maintained until distribution under the remaining terms of the Plan.

##### **3.2 Election to Defer; Effect of Election Form.**

- (a) **Timing of Election.** Except as otherwise provided below, a Participant wishing to defer Restricted Share Units must make such a deferral election during such period as shall be established by the Committee which ends no later than twelve (12) months prior to the date on which the Restricted Share Units are scheduled to vest.

Notwithstanding anything above or elsewhere in the Plan to the contrary, to the extent Section 409A requires that a Restricted Share Unit deferral election satisfy the rules under Section 409A applicable to changes to form and timing of distribution elections in order for such Restricted Share Unit deferral election to effectively defer tax with respect to the Restricted Share Units, the deferral election shall not be accepted by the Committee to the extent it would violate the rules under Section 409A applicable to changes to form and timing of distribution elections.

Notwithstanding the preceding, the Committee shall, in its discretion, be permitted to disregard any Restricted Share Unit deferral election if, under Section 409A, an earlier election was required in order to properly defer tax with respect to such Restricted Share Units. In addition, the Committee, in its discretion, shall be permitted to allow a Participant to revoke or modify a Restricted Share Unit deferral election he or she has made if Section 409A provides an opportunity to later modify a deferral election with respect to such Restricted Share Units; provided, however, that no such revocation or modification will be effective or available if and to the extent Section 409A provides that such revocation or modification, or the availability thereof, prevents the proper deferral of tax with respect to such Restricted Share Units.

- (b) **Manner of Election.** For any given deferral period (e.g., Plan Year, Fiscal Year or other period, as applicable for a given type of Plan deferral), a deferral election, and such other elections as the Committee deems necessary or desirable under the Plan, shall be made by timely delivering to the Committee, in accordance with its rules and procedures, by the deadline(s) set forth above, an Election Form, along with such other elections as the Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form and any other required election materials must be completed and signed by the Participant, timely delivered to the Committee (in accordance with Section 2.2 above) and accepted by the Committee. If no such Election Form and any other required election materials are timely delivered and accepted, the Plan deferral type(s) available for the deferral period shall be zero (0) for such period.
- (c) **Change in Election.** For any given type of Plan deferral, once the applicable deferral election deadline (as described in (a), above)) has occurred, a Participant may not elect to change his or her deferral election (or absence of a deferral election) that is subject to such deadline, except if and to the extent permitted by the Committee and made in accordance with the provisions of Section 409A specifically relating to the change and/or revocation of deferral elections (such as, for example, following an Unforeseeable Financial Emergency).
- (d) **No Additional Restricted Share Unit Deferrals.** Notwithstanding the preceding, as of January 1, 2022, unless and until the Committee elects to reactivate the Restricted Share Unit deferral feature of the Plan, no additional Restricted Share Unit deferrals shall be permitted; provided, however, that existing Restricted Share Unit deferrals shall continue to be maintained until distribution under the remaining terms of the Plan.

##### **3.3 Annual Company Make-Whole Contribution Amount.**

The Company may, but is not required to, credit to the Company Make-Whole Contribution Account of one or more Participants an amount (an "Annual Company Make-Whole Contribution Amount") for any one or more Plan Years. The Company shall credit such Annual Company Make-Whole Contribution Amounts, if any, for such Participants, with such frequency, and in such amounts, as the Company determines in its sole discretion, including, for example, by crediting to the Participant's Company Make-Whole Contribution Account of an eligible Participant an amount equal to: (i) the percentage match to which the Participant is entitled under the 401(k) Plan based on the Participant's years of service determined under the 401(k) Plan (or any other percentage match rate applicable to the Participant, as determined by the Committee in its discretion) multiplied by (ii) that portion of the Participant's Total Compensation which exceeds the legal limit on annual compensation permitted to be considered under the 401(k) Plan (e.g., \$305,000 for 2022). For the avoidance of doubt, the Company may, for any Plan Year, credit Annual Company Make-Whole Contribution Amounts for one or more Participants that differ from what it credits for others, and may credit an Annual Company Make-Whole Contribution Amount for certain Participants while not crediting any Annual Company Make-Whole Contribution Amounts for others (notwithstanding that those others may have made distribution elections in anticipation of such crediting). The Annual Company Make-Whole Contribution Amounts, if any, shall be withheld

by the Company pending the Participant's satisfaction of the 401(k) Plan's vesting schedule, but such withheld Annual Company Make-Whole Contribution Amounts shall be made in full (with or without credited interest in the sole and absolute discretion of the Committee) upon satisfaction of the 401(k) Plan's vesting schedule.

- 3.4 **Investment of Trust Assets.** If and to the extent a Trust is maintained under the Plan, the Trustee of the Trust shall be authorized, upon written instructions received from the Committee or investment manager appointed by the Committee, to invest and reinvest the assets of the Trust in accordance with the applicable Trust agreement, including the disposition of investment vehicles and reinvestment of the proceeds in one or more other investment vehicles designated by the Committee.
- 3.5 **Sources of Stock.** If Stock is credited under the Plan on the books of the Company or the Employer, or in the Trust (if any), in connection with a deferral of a Restricted Share Unit, the shares so credited shall be deemed to have originated, and shall be counted against the number of shares reserved, under such other plan, program or arrangement.
- 3.6 **Vesting.** Unless otherwise provided in the Plan Agreement, a Participant shall at all times be 100% vested in his or her Account Balance under the Plan. Notwithstanding anything to the contrary in any Plan Agreement, in the event of a Change in Control, a Participant's Account Balance, to the extent not then vested, shall immediately become 100% vested. For purposes of this Section 3.6, a "Change in Control" shall mean the first to occur of any of the following events:
- (a) Any "person" (as that term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) becomes the beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50% or more of Hovnanian Enterprises, Inc. Stock entitled to vote in the election of directors;
  - (b) During any period of not more than two consecutive years, not including any period prior to the adoption of this Plan, individuals who at the beginning of such period constitute the board of directors of Hovnanian Enterprises, Inc., and any new director (other than a director designated by a person who has entered into an agreement with Hovnanian Enterprises, Inc. to effect a transaction described in clause (a), (c), (d) or (e) of this Section 3.6) whose election by the board of directors or nomination for election by Hovnanian Enterprises, Inc.'s stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;
  - (c) The shareholders of Hovnanian Enterprises, Inc. approve any consolidation or merger of Hovnanian Enterprises, Inc., other than a consolidation or merger of the Company in which the holders of the Stock of Hovnanian Enterprises, Inc. immediately prior to the consolidation or merger hold more than 50% of the common stock of the surviving corporation immediately after the consolidation or merger;
  - (d) The shareholders of Hovnanian Enterprises, Inc. approve any plan or proposal for the liquidation or dissolution of Hovnanian Enterprises, Inc.; or
  - (e) The shareholders of Hovnanian Enterprises, Inc. approve the sale or transfer of all or substantially all of the assets of Hovnanian Enterprises, Inc. to parties that are not within a "controlled group of corporations" (as defined in Code Section 1563) in which Hovnanian Enterprises, Inc. is a member.
- 3.7 **Crediting/Debiting of Account Balances.** In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:
- (a) **Sub-Accounts.** Separate sub-accounts shall be established and maintained with respect to each Participant's Account Balance (together, the "Sub-Accounts"), each attributable to the portion of the Participant's Account Balance representing the same type of credited deferral or contribution.
  - (b) **Election of Measurement Funds.** Except as otherwise provided in Section 3.7(f) below, if and to the extent the Committee makes available more than one Measurement Fund in respect of amounts credited to a given Participant's Sub-Account, a Participant, in connection with his or her initial deferral election in accordance with Section 3.2(a) above, shall elect, on the Election Form(s), one or more "Measurement Fund(s)" (as described in this Section, and as may be established from time to time by the Committee without the need to formally amend this Plan) to be used to determine the additional amounts to be credited or debited to the Sub-Account for the first business day of the Plan Year, continuing thereafter unless changed in accordance with the next sentence. Commencing with the first business day of the Plan Year, and continuing thereafter for the remainder of the Participant's participation in the Plan, if and to the extent the Committee makes available more than one Measurement Fund in respect of amounts credited to a given Participant's Sub-Account, the Participant may (but is not required to) elect daily, by submitting an Election Form(s) to the Committee that is accepted by the Committee (which submission may take the form of an electronic transmission, if required or permitted by the Committee), to add or delete one or more Measurement Fund(s) to be used to determine the additional amounts to be credited or debited to such Sub-Account, or to change the portion of the Sub-Account allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall apply to the next business day and continue thereafter for the remainder of the Participant's participation in the Plan, unless changed in accordance with the previous sentence. Notwithstanding anything in the Plan to the contrary, the Committee has the absolute discretion to determine the Measurement Fund(s) available for election in respect of a given Sub-Account, including the discretion to require that all amounts credited to the Sub-Account be measured by reference to a single prescribed Measurement Fund (e.g., the Stock fund and/or the Average Yield Fund). For this purpose, the term "Average Yield Fund" shall be a credit rate established by the Committee and communicated to Participants in writing (e.g., based on the average yield on Hovnanian Enterprises, Inc. debt) and, regardless of anything in the Plan to the contrary, shall be applied as follows for each calendar year it is determined by the Committee to be a relevant Measurement Fund in respect of one or more Sub-Accounts: the credit rate shall be effective on the January 1 of the given calendar year and shall apply to the Participant's applicable Sub-Account Balance(s) determined as of the immediately preceding December 31 plus deferrals/contributions made to such Sub-Account(s) under the Plan for the calendar year.
  - (c) **Proportionate Allocation.** In making any election described in Section 3.7(b) above, the Participant shall specify on the Election Form, in increments of one percentage point (1%), the percentage of each of his or her Sub-Accounts to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Sub-Account).

- (d) **Measurement Funds.** Except as otherwise provided in Section 3.7(f) below, if and to the extent the Committee makes available more than one Measurement Fund in respect of amounts credited to a given Participant's Sub-Account, a Participant, in connection with his or her initial deferral election in accordance with Section 3.2(a) above, shall elect, on the Election Form(s), one or more Measurement Fund(s) for the purpose of crediting or debiting additional amounts to his or her Sub-Account. The Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund without the need to formally amend this Plan; such Committee authority shall include the discretion to limit all or a part of a Participant's Sub-Account or Account Balance to a single Measurement Fund (e.g., the Stock fund). Each such action will take effect as of the first business day that follows by thirty (30) days the day on which the Committee gives Participants advanced written notice of such change. If the Committee receives an initial or revised Measurement Fund(s) election which it deems to be incomplete, unclear or improper, the Participant's Measurement Fund(s) election then in effect shall remain in effect (or, in the case of a deficiency in an initial Measurement Fund(s) election, the Participant shall be deemed to have filed no deemed investment direction). If and to the extent the Committee makes available more than one Measurement Fund in respect of amounts credited to all or a portion of the Participant's Account Balance, if the Committee possesses (or is deemed to possess as provided in the previous sentence) at any time directions as to Measurement Funds of less than all of such portion of the Participant's Account Balance, the Participant shall be deemed to have directed that the undesignated portion of the Account Balance be deemed to be invested in the default Measurement Fund established the Committee. Each Participant hereunder, as a condition to his or her participation hereunder, agrees to indemnify and hold harmless the Committee, the Company and the Employer, and their agents and representatives, from any losses or damages of any kind relating to (i) the Measurement Funds made available hereunder and (ii) any discrepancy between the credits and debits to the Participant's Account Balance based on the performance of the Measurement Funds and what the credits and debits otherwise might be in the case of an actual investment in the Measurement Funds.
- (e) **Crediting or Debiting Method.** The performance of each Measurement Fund (either positive or negative) associated with all or a portion of the Participant's Account Balance will be determined by the Committee, in its reasonable discretion, based on the performance of the Measurement Funds themselves. Except as otherwise provided in Section 3.7(b) (e.g., in respect of an "Average Yield Fund" Measurement Fund, which shall be measured as prescribed in Section 3.7(b)), a Participant's Account Balance shall be credited or debited on a daily basis based on the performance of each Measurement Fund associated with the Participant's Account Balance, as determined by the Committee in its sole discretion, as though (i) a Participant's Account Balance were invested in the Measurement Fund(s) associated with the Participant's Account Balance, in the percentages applicable to each portion of the Account Balance as of such date, at the closing price on such date; (ii) the portion of the Annual Company Make-Whole Contribution Amount that was credited on behalf of the Participant was invested in the Measurement Fund(s) associated with the Annual Company Make-Whole Contribution Amount no later than the close of business on the third business day after the day on which such amounts are credited, at the closing price on such date; and (iii) any distribution made to a Participant that decreases such Participant's Account Balance ceased being invested in the Measurement Fund(s), in the percentages applicable to each portion of the Account Balance, no earlier than three business days prior to the distribution, at the closing price on such date. The Participant's Annual Company Contribution Amount shall be credited to his or her Company Contribution Account for purposes of this Section 3.7(e) as soon as administratively practicable following the date such amount(s) were credited to the Participant's Account Balance. The Participant's Restricted Share Unit deferral(s) shall be credited to the applicable Sub-Account no later than the close of business on the third business day after the date of the deferral(s).
- (f) **No Actual Investment.** Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and any Participant election of any such Measurement Fund, the allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company, in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company, the Employer or the Trust (if any); the Participant shall at all times remain an unsecured creditor of the Employer.
- (g) **Committee Discretion to Limit One or More Sub-Account(s) to the Stock Fund.** Notwithstanding anything in this Plan to the contrary, the Committee has the sole and absolute discretion to require that one or more Sub-Account(s) of a Participant's Account Balance be allocated exclusively to the Stock fund and to no other Measurement Fund until such time, if any, as the Committee, in its sole and absolute discretion, makes available additional Measurement Fund(s) for such Sub-Account(s).
- (h) **Beneficiary Elections.** Each reference in this Section 3.7 to a Participant shall be deemed to include, where applicable, a reference to a Beneficiary.

### 3.8 **FICA and Other Taxes.**

- (a) **Annual Company Make-Whole Contribution Amounts.** When an Annual Company Make-Whole Contribution Amount is credited to a Participant's Company Make-Whole Contribution Account (or, if later, when a Participant becomes vested in his or her Company Make-Whole Contribution Account), the Participant's Employer(s) shall withhold from the Participant's compensation that is not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes, and any other applicable deductions. If necessary, the Committee may reduce the Participant's Annual Company Make-Whole Contribution Amount in order to comply with this Section 3.8(a).
- (b) **Restricted Share Units.** For each Fiscal Year in which a Restricted Share Unit is being first withheld from a Participant, or at such other time as FICA taxes are due, the Participant's Employer(s) shall withhold from that portion of the Participant's compensation that is not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and any other taxes required to be withheld on such Restricted Share Unit, and any other applicable deductions. If necessary, the Committee may reduce the Participant's Restricted Share Unit deferral in order to comply with this Section 3.8(b).

3.9 **Distributions.** Notwithstanding anything herein to the contrary, the Employer, or the trustee of the Trust (if any), shall withhold from any payments made under this Plan all Federal, state and local income, employment and other taxes required to be withheld by the Employer, or the trustee of the Trust (if any), in connection with such payments, and any indebtedness of the Participant to the Employer as of the date(s) of distribution, in amounts and in a manner to be determined in the reasonable discretion of the Employer and the trustee of the Trust (if any). Any payment made to a Participant or Beneficiary under this Plan shall be made on or during the period after the payment date or event specified herein; provided, however, such payment shall not be made later than the later of (i) the last day of the calendar year in which the payment date or event occurs, or, if later, the

fifteenth (15<sup>th</sup>) day of the third (3<sup>rd</sup>) calendar month following the date of the payment date or event, or (ii) the last day of such other, extended period as the IRS may prescribe, such as in the case of disputed payments or refusals to pay, provided the conditions of such extension have been satisfied. If a Participant who experiences a Separation from Service is rehired (or, in the case of an Independent Director Participant, again becomes an Independent Director following a Separation from Service), his or her distributions hereunder may not be suspended.

## **ARTICLE 4**

### **Short-Term Payout; Unforeseeable Financial Emergencies; Withdrawal Election**

#### **4.1 Short-Term Payout.**

- (a) During the election period established by the Committee which precedes the Plan Year in which Annual Company Make-Whole Contribution Amounts are to be credited on behalf of a Participant, the Participant may elect to receive a future "Short-Term Payout" from the Plan. Except as provided in Section 4.3, any Short-Term Payout election must be prior to the Plan Year in which Annual Company Make-Whole Contribution Amounts are to be credited, and is irrevocable after that deadline has passed. Subject to the Deduction Limitation and to Section 3.9, the Short-Term Payout shall be a lump sum payment in an amount that is equal to the vested Annual Company Make-Whole Contribution Amounts, and amounts credited or debited thereto in the manner provided in Section 3.7 above, determined at the time that the Short-Term Payout becomes payable. Subject to the Deduction Limitation, Section 3.9 and the other terms and conditions of this Plan, each Short-Term Payout elected shall be paid out during a sixty (60) day period designated by the Participant that is at least three (3) Plan Years (or such other period established by the Committee and reflected on the applicable Short-Term Payout election materials) after the Plan Year of the vested Annual Company Make-Whole Contribution Amounts, as specifically elected by the Participant; provided, however, that any Short-Term Payout election which would result in a Short-Term Payout of vested Annual Company Make-Whole Contribution Amounts earlier than the Participant's sixtieth (60<sup>th</sup>) birthday shall be deemed to be an election to receive a Short-Term Payout of such vested Annual Company Make-Whole Contribution Amounts at age sixty (60), or (if later) earliest Short-Term Payout date described above. By way of example, if a three (3) year Short-Term Payout is elected for vested Annual Company Make-Whole Contribution Amounts elected to be deferred during the enrollment period ending December 31, 2022, the three (3) year Short-Term Payout would become payable during a sixty (60) day period commencing January 1, 2026 (if, in respect of the vested Annual Company Make-Whole Contribution Amounts, the Participant is age sixty (60) or older as of January 1, 2026).
- (b) **Postponements of Previously Elected Short-Term Payouts.** Notwithstanding the preceding paragraphs or any other provision of this Plan that may be construed to the contrary, a Participant who is in active service with the Employer (including, for Independent Director Participants, in active service as an Independent Director) may, with respect to each Short-Term Payout, on a form determined by the Committee, make one (1) or more additional deferral elections (a "Subsequent Election") to defer payment of all or a portion of such Short-Term Payout to a Plan Year subsequent to the Plan Year originally (or subsequently) elected; provided, however, that, except as provided elsewhere in this Plan, such Subsequent Election will be null and void unless accepted by the Committee no later than one (1) year prior to the first day of the Plan Year in which, but for the Subsequent Election, such Short-Term Payout would be paid, and such Subsequent Election provides for the deferral of at least five (5) Plan Years following the Plan Year in which the Short-Term Payout, but for the Subsequent Election, would be paid.

4.2 **Other Benefits Take Precedence Over Short-Term Payout.** Should an event occur that triggers a benefit under Article 5, 6 or 7, all Account Balances (or portions thereof) that are subject to Short-Term Payout elections under Section 4.1 shall not be paid in accordance with Section 4.1 but shall be paid in accordance with the other applicable Article.

4.3 **Withdrawal Payout/Suspensions for Unforeseeable Financial Emergencies.** If a Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Committee to (i) halt any deferrals required to be made by the Participant and (ii) receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's Account Balance, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the payouts, after taking into account the extent to which the Unforeseeable Financial Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of assets would not itself cause severe financial hardship) or by termination of deferrals hereunder. If, subject to the sole discretion of the Committee (which discretion the Committee is bound to exercise, however, within the limitations of Section 409A), the petition for a termination of deferrals and payout is approved, cessation shall take effect upon the date of approval and any payout shall be made within sixty (60) days of the date of approval. The payment of any amount under this Section 4.3 shall be subject to Section 3.9, but shall not be subject to the Deduction Limitation. Notwithstanding anything in this Plan to the contrary, any distribution from the Restricted Share Unit Deferral Account under this Section 4.3 shall be in the form of Stock.

## **ARTICLE 5**

### **Retirement Benefit**

5.1 **Retirement Benefit.** Subject to the Deduction Limitation and to Section 3.9, and any other conditions imposed by the Committee, a Participant who Retires shall receive, as a Retirement Benefit, his or her vested Account Balance (or applicable portion thereof).

#### **5.2 Payment of Retirement Benefit.**

- (a) **Retirement Benefit Payments of Vested Annual Company Contribution Amounts.** During the election period established by the Committee which precedes the Plan Year in which Annual Company Make-Whole Contribution Amounts are to be credited on behalf of a Participant, the Participant may elect to receive that portion of his or her Retirement Benefit attributable to any vested Annual Company Make-Whole Contribution Amounts credited for the Plan Year in a lump sum, or pursuant to one of the available Annual Installment Methods. At such time, the Participant may also elect to have any such lump sum payment paid, or installments commence, during the sixty (60) day period immediately following the close of the calendar quarter in which the Participant Retires or, alternatively, during the sixty (60) day period immediately following the close of the Plan Year in which the Participant Retires; provided, however, that, to the extent required under Section 409A, Retirement Benefit distributions to an individual who is a Specified Employee as of the date of his or her Separation from Service shall commence no earlier than six (6) months after the date or his or her Retirement (or, if earlier, his or her death). If a Participant does not make any election with respect to the form of distribution of any portion of his or her Retirement Benefit, such portion shall be distributable in the form of a lump sum. In addition, subject to the preceding limitation on Retirement Benefit distributions to Specified Employees, if a Participant does not make any election with respect to when any portion of his or her Retirement Benefit shall be made or begin, such portion shall be made or begin during the sixty (60) day period immediately following

the close of the calendar quarter in which the Participant Retires. Any payment made shall be subject to Section 3.9 and the Deduction Limitation.

- (b) **Retirement Benefit Payments of Restricted Share Units.** At the same time that a Participant elects to defer a Restricted Share Unit for a given Fiscal Year (or portion thereof), the Participant may elect to receive that portion of his or her Retirement Benefit attributable to the Restricted Share Unit in a lump sum, or pursuant to one of the available Annual Installment Methods. At such time, the Participant may also elect to have any such lump sum payment paid, or installments commence, during the sixty (60) day period immediately following the close of the calendar quarter in which the Participant Retires or, alternatively, during the sixty (60) day period immediately following the close of the Plan Year in which the Participant Retires; provided, however, that, to the extent required under Section 409A, Retirement Benefit distributions to a Specified Employee shall commence no earlier than six (6) months after the date of his or her Retirement (or, if earlier, his or her death). If a Participant does not make any election with respect to the form of distribution of any portion of his or her Retirement Benefit, such portion shall be distributable in the form of a lump sum. In addition, subject to the preceding limitation on Retirement Benefit distributions to Specified Employees, if a Participant does not make any election with respect to when any portion of his or her Retirement Benefit shall be made or begin, such portion shall be made or begin during the sixty (60) day period immediately following the close of the calendar quarter in which the Participant Retires. Any payment made shall be subject to Section 3.9 and the Deduction Limitation.

Notwithstanding anything above or elsewhere in the Plan to the contrary, to the extent Section 409A requires that a Restricted Share Unit deferral election satisfy the rules under Section 409A applicable to changes to form and timing of distribution elections in order for such Restricted Share Unit deferral election to effectively defer tax with respect to the Restricted Share Units, that portion of the Participant's Restricted Share Unit Deferral Account attributable to such Restricted Share Unit deferral election shall be distributable as a Retirement Benefit solely at such time(s) and in such manner as the Retirement Benefit distribution does not violate the rules under Section 409A applicable to changes to form and timing of distribution elections.

Notwithstanding anything in this Plan to the contrary, any distribution from the Restricted Share Unit Deferral Account under this Section 5.2 shall be in the form of Stock.

The preceding applies only to Restricted Share Units deferred on or after January 1, 2005.

- (c) **Changes to Retirement Benefit Distribution Elections.** The Participant may change his or her election(s) to an allowable alternative payout period date by submitting a new Election Form to the Committee, provided that, effective January 1, 2005, and except as provided elsewhere in the Plan, any such Election Form is submitted at least one (1) year prior to the distribution date then in effect and, if required by Section 409A, provides for a distribution (or commencement of distributions) date which is at least five (5) years from the distribution date then in effect. Subject to the foregoing, the Election Form most recently accepted by the Committee shall govern the payout of the Retirement Benefit with respect to the portion of the Participant's Account Balance to which it pertains.

Effective January 1, 2005, no change submitted on an Election Form shall be accepted by the Committee if the change accelerates the time over which distributions shall be made to the Participant (except as otherwise permitted under Section 409A) and the Committee shall deny any change made to an election if the Committee determines that the change violates the requirement under Section 409A that the first payment with respect to which such election is made be deferred for a period of not less than five (5) years from the date the payment would otherwise have been made. For these purposes, installment payments shall be treated as a single payment, with the result that an election to change from installments to a lump sum (or to a different Annual Installment Method) will require that the lump sum be postponed until a date which is at least five (5) years from the previously scheduled payment date of the first installment.

## **ARTICLE 6**

### **Pre-Retirement Survivor Benefit**

- 6.1 **Pre-Retirement Survivor Benefit.** Subject to the Deduction Limitation, and any other conditions imposed by the Committee, the Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's Account Balance if the Participant dies before he or she Retires or experiences a Termination of Employment.
- 6.2 **Payment of Pre-Retirement Survivor Benefit.** The Participant's Beneficiary shall receive the Pre-Retirement Survivor Benefit in a lump sum during the sixty (60) day period immediately following the close of the calendar quarter in which the Committee receives proof that is satisfactory to the Committee of the Participant's death, in accordance with the procedures established by the Committee. Any payment made shall be subject to Section 3.9 and to the Deduction Limitation. Notwithstanding anything in this Plan to the contrary, any distribution from the Restricted Share Unit Deferral Account under this Section 6.2 shall be in the form of Stock.
- 6.3 **Death Prior to Completion of Termination Benefit or Retirement Benefit.** If a Participant dies after Termination of Employment or Retirement but before the Termination Benefit or Retirement Benefit is paid in full, the Participant's unpaid Termination Benefit or Retirement Benefit shall be paid to the Participant's Beneficiary in a lump sum during the sixty (60) day period immediately following the close of the calendar quarter in which the Committee receives proof that is satisfactory to the Committee of the Participant's death, in accordance with the procedures established by the Committee. Any payment made hereunder shall be subject to Section 3.8, but shall not be subject to the Deduction Limitation. Notwithstanding anything in this Plan to the contrary, any distribution from the Restricted Share Unit Deferral Account under this Section 6.3 shall be in the form of Stock.

## **ARTICLE 7**

### **Termination Benefit**

- 7.1 **Termination Benefit.** Subject to the Deduction Limitation and to Section 3.9, and any other conditions imposed by the Committee, the Participant shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance if a Participant experiences a Termination of Employment prior to his or her Retirement or death.
- 7.2 **Payment of Termination Benefit.** A Participant's Termination Benefit shall be paid in a lump sum during the sixty (60) day period immediately following the close of the calendar quarter in which the Participant experiences a Termination of Employment, in accordance with the procedures established by the Committee; provided, however, that, to the extent required under Section 409A, Termination Benefit distributions to an individual

who is a Specified Employee as of the date of his or her Separation from Service shall commence no earlier than six (6) months after the date of his or her Termination of Employment (or, if earlier, his or her death).

Notwithstanding anything above or elsewhere in the Plan to the contrary, to the extent Section 409A requires that a Restricted Share Unit deferral election satisfy the rules under Section 409A applicable to changes to form and timing of distribution elections in order for such Restricted Share Unit deferral election to effectively defer tax with respect to the Restricted Share Unit deferrals, that portion of the Participant's Restricted Share Unit Deferral Account attributable to such Restricted Share Unit deferral election shall be distributable as a Termination Benefit solely at such time(s) and in such manner as the Termination Benefit distribution does not violate the rules under Section 409A applicable to changes to form and timing of distribution elections.

Any payment made shall be subject to the Deduction Limitation and to Section 3.9. Notwithstanding anything in this Plan to the contrary, any distribution from the Restricted Share Unit Deferral Account under this Section 7.2 shall be in the form of Stock.

## **ARTICLE 8**

### **Beneficiary Designation**

- 8.1 **Beneficiary.** Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a Beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.
- 8.2 **Beneficiary Designation; Change.** A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. Upon the acceptance by the Committee or its designated agent of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee or its designated agent prior to his or her death.
- 8.3 **Acceptance.** No designation or change in designation of a Beneficiary shall be effective until received and accepted by the Committee or its designated agent.
- 8.4 **No Beneficiary Designation.** If a Participant fails to designate a Beneficiary as provided in Sections 8.1, 8.2 and 8.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 8.5 **Doubt as to Beneficiary.** If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Committee's satisfaction.
- 8.6 **Discharge of Obligations.** The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

Neither the Committee nor the Employer shall be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such person's last known address. If the Committee notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Committee within three (3) years thereafter, then, except as otherwise required by law, if the location of one or more of the next of kin of the Participant is known to the Committee, the Committee may direct distribution of such amount to any one or more or all of such next of kin, and in such proportions as the Committee determines. If the location of none of the foregoing persons can be determined, the Committee shall have the right to direct that the amount payable shall be deemed to be a forfeiture, except that the dollar amount of the forfeiture, unadjusted for deemed gains or losses in the interim, shall be paid by the Employer if a claim for the benefit subsequently is made by the Participant or the Beneficiary to whom it was payable. If a benefit payable to an unlocated Participant or Beneficiary is subject to escheat and/or unclaimed property laws pursuant to applicable law, neither the Committee nor the Employer shall be liable to any person for any payment made in accordance with such law.

## **ARTICLE 9**

### **Termination, Amendment or Modification**

- 9.1 **Termination.** Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Associates (and/or, with respect to Hovnanian Enterprises, Inc., Independent Directors), by action of its governing body. In addition, the Committee may terminate the Plan with respect to one or more Employers and/or with respect to the right of Independent Directors to participate. Upon a termination of the Plan in accordance with the requirements, restrictions and limitations of Section 1.409A-3(j)(4)(ix) of the Treasury regulations, the Plan Agreements of the affected Participants shall terminate and they shall be paid in a single lump sum distribution their vested Account Balances (but not to commence before or end after any distribution period required by Section 409A). If, due to the circumstances surrounding the Plan termination, a distribution of a Participant's vested Account Balance upon Plan termination is not permitted by Section 409A, the payment of the Account Balance shall be made only after Plan benefits otherwise become due hereunder. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination.

Without limiting the generality of the foregoing, the Employer specifically reserves the right to terminate and liquidate the Plan with respect to all of its participating Associates (and, with respect to Hovnanian Enterprises, Inc., Independent Directors), in its discretion and by action of the Committee, within the thirty (30) days preceding or the twelve (12) months following a "change in control event" (as defined in Section 409A); provided, however, that such termination and liquidation must be irrevocable and shall be permitted only if all arrangements sponsored by the Employer that are required to be aggregated with the Plan pursuant to Section 14.21 are also irrevocably terminated and liquidated with respect to each participant therein that has experienced a change in control event, so that Associates and Independent Directors participating under the Plan

and all participants under those other arrangements that have experienced a change in control event are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of the date the Employer takes irrevocable action to terminate and liquidate the arrangements.

Notwithstanding anything in this Plan to the contrary, any distribution from the Restricted Share Unit Deferral Account under this Section 9.1 shall be in the form of Stock.

- 9.2 **Amendment.** Any Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its governing body and the Committee may, at any time, amend or modify the Plan in whole or in part with respect to one or more Employers; provided, however, that no amendment or modification shall be effective to decrease or restrict the value of a Participant's Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification.
- 9.3 **Plan Agreement.** Despite the provisions of Sections 9.1 and 9.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer or the Committee may only amend or terminate such provisions with the consent of the Participant, unless otherwise provided in the Plan Agreement.
- 9.4 **Effect of Payment.** The full payment of the applicable benefit under Articles 4, 5, 6 or 7 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant's Plan Agreement shall terminate.
- 9.5 **Amendment to Ensure Proper Characterization of the Plan.** Notwithstanding the previous Sections of this Article 9, the Plan may be amended at any time, retroactively if required, if found necessary, in the opinion of the Committee, in order to ensure that the Plan is characterized as a non-tax-qualified "top hat" plan of deferred compensation maintained for a select group of management or highly compensated employees, as described under ERISA Sections 201(2), 301(a)(3) and 401(a)(1), to conform the Plan to the provisions of Section 409A, to ensure that amounts under the Plan are not considered to be taxed to a Participant under the Federal income tax laws prior to the Participant's receipt of the amounts or to conform the Plan and the Trust to the provisions and requirements of any applicable law (including ERISA and the Code).

## **ARTICLE 10**

### **Administration**

- 10.1 **Committee Duties.** This Plan shall be administered by a Committee which has been duly authorized by the Company to act on behalf of the Company in respect of the Plan. Members of the Committee may be Participants under this Plan. The Committee shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or the Company.
- 10.2 **Agents.** In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.
- 10.3 **Binding Effect of Decisions.** The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 10.4 **Indemnity of Committee.** All Employers shall indemnify and hold harmless the members of the Committee, and any Associate to whom the duties of the Committee may be delegated, against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Committee, any of its members, or any such Associate.
- 10.5 **Employer Information.** To enable the Committee to perform its functions, the Company and each Employer shall supply full and timely information to the Committee on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, death or Termination of Employment of its Participants, and such other pertinent information as the Committee may reasonably require.

## **ARTICLE 11**

### **Other Benefits and Agreements**

- 11.1 **Coordination with Other Benefits.** The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for Associates (and/or, with respect to Hovnanian Enterprises, Inc., Independent Directors) of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.
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**ARTICLE 12**  
**Claims Procedures**

12.1 **Scope of Claims Procedures.** This Article is based on final regulations issued by the Department of Labor and published in the Federal Register on November 21, 2000 and codified at 29 C.F.R. section 2560.503-1. If any provision of this Article conflicts with the requirements of those regulations, the requirements of those regulations will prevail.

12.2 **Initial Claim.** A Participant or Beneficiary who believes he or she is entitled to any benefit under the Plan (a "Claimant") may file a claim with the Committee. The Committee shall review the claim itself or appoint an individual or an entity to review the claim.

- (a) **Decision on Initial Claim.** The Claimant shall be notified within ninety (90) days after the claim is filed whether the claim is allowed or denied, unless the Claimant receives written notice from the Committee or appointee of the Committee prior to the end of the ninety (90) day period stating that special circumstances require an extension of the time for decision, such extension not to extend beyond the day which is one hundred eighty (180) days after the day the claim is filed.
- (b) **Manner and Content of Denial of Initial Claims.** If the Committee denies a claim, it must provide to the Claimant, in writing or by electronic communication:
  - (i) The specific reasons for the denial;
  - (ii) A reference to the Plan provision or insurance contract provision upon which the denial is based;
  - (iii) A description of any additional information or material that the Claimant must provide in order to perfect the claim;
  - (iv) An explanation of why such additional material or information is necessary;
  - (v) Notice that the Claimant has a right to request a review of the claim denial and information on the steps to be taken if the Claimant wishes to request a review of the claim denial; and
  - (vi) A statement of the Participant's right to bring a civil action under ERISA Section 502(a) following a denial on review of the initial denial.

12.3 **Review Procedures.**

- (a) **Request for Review of Denied Claim.** A request for review of a denied claim must be made in writing to the Committee within sixty (60) days after receiving notice of denial. The decision upon review will be made within sixty (60) days after the Committee's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than one hundred twenty (120) days after receipt of a request for review. A notice of such an extension must be provided to the Claimant within the initial sixty (60) day period and must explain the special circumstances and provide an expected date of decision.

The reviewer shall afford the Claimant an opportunity to review and receive, without charge, all relevant documents, information and records and to submit issues and comments in writing to the Committee. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.

- (b) **Manner and Content of Notice of Decision on Review.** Upon completion of its review of an adverse initial claim determination, the Committee will give the Claimant, in writing or by electronic notification, a notice containing:
  - (i) its decision;
  - (ii) the specific reasons for the decision;
  - (iii) the relevant Plan provisions or insurance contract provisions on which its decision is based;
  - (iv) a statement that the Claimant is entitled to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information in the Plan's files which is relevant to the Claimant's claim for benefits;
  - (v) a statement describing the Claimant's right to bring an action for judicial review under ERISA Section 502(a); and
  - (vi) if an internal rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination on review, a statement that a copy of the rule, guideline, protocol or other similar criterion will be provided without charge to the Claimant upon request.

12.4 **Calculation of Time Periods.** For purposes of the time periods specified in this Article, the period of time during which a benefit determination is required to be made begins at the time a claim is filed in accordance with the Plan procedures without regard to whether all the information necessary to make a decision accompanies the claim. If a period of time is extended due to a Claimant's failure to submit all information necessary, the period for making the determination shall be tolled from the date the notification is sent to the Claimant until the date the Claimant responds.

12.5 **Legal Action.** If the Plan fails to follow the claims procedures required by this Article, a Claimant shall be deemed to have exhausted the administrative remedies available under the Plan and shall be entitled to pursue any available remedy under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim. A Claimant's compliance with the foregoing provisions of this Article is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claims for benefits under the Plan. However, notwithstanding anything herein that may suggest otherwise, with respect to any claim pertaining to a Participant

who is not subject to ERISA, following the Claimant's exhaustion of the foregoing provisions of this Article, all disputes in connection with such claim shall be resolved by binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

## **ARTICLE 13**

### **Trust**

- 13.1 **Establishment of the Trust.** As of the execution of this amended and restated Plan, the Trust previously established under the Plan has been discontinued. The Company reserves the right at any time to establish another Trust, in which event each Employer shall at least annually transfer over to the Trust such assets as the Employer determines, in its sole discretion, are necessary to provide for its respective future liabilities created with respect to those amounts deferred under the Plan for such Employer's Participants which are to be held under the Trust.
- 13.2 **Interrelationship of the Plan and the Trust.** The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.
- 13.3 **Distributions From the Trust.** Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

## **ARTICLE 14**

### **Miscellaneous**

- 14.1 **Status of Plan.** The Plan is not qualified within the meaning of Code Section 401(a) and "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.
- 14.2 **Unsecured General Creditor.** Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 14.3 **Employer's Liability.** An Employer's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Employer and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.
- 14.4 **Nonassignability.** Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. Subject to Section 14.15, no part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.
- 14.5 **Not a Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer or to interfere with the right of any Employer to discipline or discharge the Participant at any time. In addition, nothing in the Plan shall be deemed to give an Independent Director Participant the right to continue in the position of an Independent Director.
- 14.6 **Furnishing Information.** A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.
- 14.7 **Terms.** Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.
- 14.8 **Captions.** The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 14.9 **Governing Law.** Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Delaware without regard to its conflicts of laws principles.
- 14.10 **Notice.** Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if it is in accordance with the procedures established by the Committee for notice or filing delivery via electronic transmission or if it is in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Treasurer  
K. Hovnanian Companies, LLC  
90 Matawan Road, Fifth Floor  
Matawan, New Jersey 07747  
(732) 747-7800

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 14.11 **Successors.** The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer (Hovnanian Enterprises, Inc. in respect of Independent Director Participants) and its successors and assigns and the Participant and the Participant's designated Beneficiaries.
- 14.12 **Spouse's Interest.** The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.
- 14.13 **Validity.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein; except to the extent that Section 409A requires that this Section 14.13 be disregarded because it purports to nullify Plan terms that are not in compliance with Section 409A.
- 14.14 **Incompetent.** If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.
- 14.15 **Court Order.** The Committee is authorized to make any payments directed by court order in any action in which the Plan or the Committee has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion but solely if and to the extent permitted by Section 409A, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.
- 14.16 **Acceleration of Distribution.**
- (a) **In General.** The Employer may, in its discretion, accelerate the date of distribution or commencement of distributions hereunder, or accelerate installment payments by paying the vesting Account Balance in a lump sum or pursuant to a Annual Installment Method using fewer years, to the extent permitted under Section 409A (such as, for example, as provided in Section 1.409A-3(j)(4) of the Treasury regulations to comply with domestic relations orders or certain conflict of interest rules, to pay employment taxes, or to pay certain de minimis amount, or to make payments upon income inclusion under Section 409A). Notwithstanding anything in this Plan to the contrary, any distribution from the Restricted Share Unit Deferral Account under this Section 14.16 shall be in the form of Stock.
- (b) **Trust.** If the Trust, if any, terminates in accordance with the provisions of the Trust and benefits are distributed from the Trust to a Participant in accordance with such provisions, the Participant's benefits under this Plan shall be reduced to the extent of such distributions.
- 14.17 **Delay in Payment.** If the Employer reasonably anticipates that any payment scheduled to be made hereunder would violate securities laws (or other applicable laws) or jeopardize the ability of the Employer to continue as a going concern if paid as scheduled, then the Employer may defer that payment, provided the Employer treats payments to all similarly situated Participants on a reasonably consistent basis. In addition, the Employer may, in its discretion, delay a payment upon such other events and conditions as the IRS may prescribe, provided the Employer treats payments to all similarly situated Participants on a reasonably consistent basis. Any amounts deferred pursuant to this Section shall continue to be credited or debited with additional amounts in accordance with Section 3.12 above, even if such amount is being paid out in installments. The amounts so deferred and amounts credited or debited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date on which the Employer reasonably anticipates that such violation or material harm would be avoided or as otherwise prescribed by the IRS.
- 14.18 **Prohibited Acceleration/Distribution Timing.** This Section shall take precedence over any other provision of the Plan or this Article 14 to the contrary. If the timing of any deferral or distribution election would result in any tax or other penalty (other than ordinarily payable Federal, state or local income or payroll taxes), which tax or penalty can be avoided by payment of the distribution at a later time, then the distribution shall be made (or commence, as the case may be) on the first date on which such distributions can be made (or commence) without such tax or penalty; except to the extent that Section 409A requires that this Section 14.18 be disregarded because it purports to nullify Plan terms that are not in compliance with Section 409A.
- 14.19 **Insurance.** The Employers, on their own behalf or on behalf of the Trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the Trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.
- 14.20 **Aggregation of Employers.** If the Employer is a member of a controlled group of corporations or a group of trades or business under common control (as described in Code §414(b) or (c)), but substituting a twenty-five percent (25%) ownership level for the eighty percent (80%) level set forth in those Code Sections, all members of the group shall be treated as a single Employer for purposes of whether there has occurred a Separation from Service and for any other purposes under the Plan as Section 409A shall require. For purposes of Section 9.1, in the case of a change in control event, the entities to be treated as a single Employer shall be determined immediately following the change in control event.
- 14.21 **Aggregation of Plans.** If the Employer offers other account balance deferred compensation plans in addition to the Plan, those plans together with the Plan shall be treated as a single plan to the extent required under Section 409A for purposes of determining whether an Employee may make a deferral election pursuant to Section 3.5(a) within thirty (30) days of becoming eligible to participate in the Plan and for any other purposes under the Plan as Section 409A shall require.
- 14.22 **USERRA.** Notwithstanding anything herein to the contrary, any election provided to a Participant as necessary to satisfy the requirements of the

Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, shall be permissible hereunder.

14.23 **Legal Fees To Enforce Rights After Change in Control.** Hovnanian Enterprises, Inc. and each Employer is aware that upon the occurrence of a Change in Control, the Committee or the governing body of a Participant's Employer (which might then be composed of new members) or a shareholder of Hovnanian Enterprises, Inc. or the Participant's Employer, or of any successor corporation might then cause or attempt to cause Hovnanian Enterprises, Inc., the Participant's Employer or such successor to refuse to comply with its obligations under the Plan and might cause or attempt to cause Hovnanian Enterprises, Inc. or the Participant's Employer to institute, or may institute, litigation seeking to deny Participants the benefits intended under the Plan. In these circumstances, the purpose of the Plan could be frustrated. Accordingly, if, following a Change in Control, it should appear to any Participant that Hovnanian Enterprises, Inc., the Participant's Employer or any successor corporation has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if Hovnanian Enterprises, Inc., such Employer or any other person takes any action to declare the Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from any Participant the benefits intended to be provided, then Hovnanian Enterprises, Inc. and the Participant's Employer irrevocably authorize such Participant to retain counsel of his or her choice at the expense of Hovnanian Enterprises, Inc. and the Participant's Employer (who shall be jointly and severally liable) to represent such Participant in connection with the initiation or defense of any litigation or other legal action, whether by or against Hovnanian Enterprises, Inc., the Participant's Employer or any director, officer, shareholder or other person affiliated with Hovnanian Enterprises, Inc., the Participant's Employer or any successor thereto in any jurisdiction.

IN WITNESS WHEREOF, the Company has signed this Plan document, effective as of January 1, 2022.

K. HOVNIANIAN COMPANIES, LLC,  
a California corporation

By: \_\_\_\_\_

Title: \_\_\_\_\_

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**MARKET SHARE UNIT AGREEMENT**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Target Number of MSUs:*

*Grant Price:*

\_\_\_\_\_

\_\_\_\_\_

*Maximum Number of MSUs:*

\_\_\_\_\_

*Dates of Vesting:*

*Number of Eligible MSUs Per  
Vesting Date at Target Level*

*Date*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**1. Grant of MSUs.**

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the relevant Stock Performance Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on the Date of Grant.

(iii) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 200%, then the Stock Performance Multiplier shall equal 200%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

**2. Vesting and Timing of Transfer.**

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class A Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (with any resulting fractional Share rounded up to the nearest whole Share). If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be

made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

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

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such

Shares to make appropriate reference to such restrictions. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### 11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_



**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**MARKET SHARE UNIT AGREEMENT**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Target Number of MSUs:*

*Grant Price:*

\_\_\_\_\_

\_\_\_\_\_

*Maximum Number of MSUs:*

\_\_\_\_\_

*Dates of Vesting:*

*Number of Eligible MSUs Per  
Vesting Date at Target Level*

*Date*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**1. Grant of MSUs.**

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the relevant Stock Performance Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on the Date of Grant.

(iii) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 200%, then the Stock Performance Multiplier shall equal 200%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

**2. Vesting and Timing of Transfer.**

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class B Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (with any resulting fractional Share rounded up to the nearest whole Share). If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be

made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

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

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such

Shares to make appropriate reference to such restrictions. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### 11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_



**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**MARKET SHARE UNIT AGREEMENT  
(Pre-tax Profit Performance Vesting)**

Participant:

\_\_\_\_\_

Date of Grant:

\_\_\_\_\_

Target Number of MSUs:

\_\_\_\_\_

Grant Price:

\_\_\_\_\_

Maximum Number of MSUs:

\_\_\_\_\_

Dates of Vesting:

Date

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Number of Eligible MSUs Per  
Vesting Date at Target Level

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Pre-tax Profit Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on the Date of Grant.

(iii) "Pre-tax Profit Multiplier" shall be determined as follows by reference to income (loss) before income tax expense and before income (loss) from unconsolidated joint ventures as reflected on the Company's audited financial statements plus income (loss) before income tax expense for the Company's unconsolidated joint ventures as reflected on their respective financial statements for the twelve months ended October 31, 2021, excluding the impact of any items deemed by the Committee to be unusual or nonrecurring items and excluding losses from land impairments and gains or losses from debt repurchases/debt retirement such as call premiums and related issuance costs:

<u>Fiscal Year 2021 Pre-tax Profit</u>	<u>Applicable Pre-tax Profit Multiplier</u>
_____ \$0 (or less)	_____ 0%
_____ \$10 million	_____ 50%
_____ \$15 million (or greater)	_____ 100%

; provided, however, that (a) the applicable Pre-tax Profit Multiplier for Pre-tax Profit between the performance ranges shown above shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2021, the Pre-tax Profit Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Pre-tax Profit Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 200%, then the Stock Performance Multiplier shall equal 200%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting

Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Pre-tax Profit Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class A Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date and multiplied further by the Pre-tax Profit Multiplier (with any resulting fractional Share rounded up to the nearest whole Share). If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Pre-tax Profit Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

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

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

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

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### **11. Non-Solicitation Covenants.**

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**MARKET SHARE UNIT AGREEMENT  
(Pre-tax Profit Performance Vesting)**

Participant:

\_\_\_\_\_

Date of Grant:

\_\_\_\_\_

Target Number of MSUs:

\_\_\_\_\_

Grant Price:

\_\_\_\_\_

Maximum Number of MSUs:

\_\_\_\_\_

Dates of Vesting:

Date

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Number of Eligible MSUs Per  
Vesting Date at Target Level

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Pre-tax Profit Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on the Date of Grant.

(iii) "Pre-tax Profit Multiplier" shall be determined as follows by reference to income (loss) before income tax expense and before income (loss) from unconsolidated joint ventures as reflected on the Company's audited financial statements plus income (loss) before income tax expense for the Company's unconsolidated joint ventures as reflected on their respective financial statements for the twelve months ended October 31, 2021, excluding the impact of any items deemed by the Committee to be unusual or nonrecurring items and excluding losses from land impairments and gains or losses from debt repurchases/debt retirement such as call premiums and related issuance costs:

<u>Fiscal Year 2021 Pre-tax Profit</u>	<u>Applicable Pre-tax Profit Multiplier</u>
\$0 (or less)	0%
\$10 million	50%
\$15 million (or greater)	100%

; provided, however, that (a) the applicable Pre-tax Profit Multiplier for Pre-tax Profit between the performance ranges shown above shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2021, the Pre-tax Profit Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Pre-tax Profit Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 200%, then the Stock Performance Multiplier shall equal 200%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting

Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Pre-tax Profit Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class B Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date and multiplied further by the Pre-tax Profit Multiplier (with any resulting fractional Share rounded up to the nearest whole Share). If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Pre-tax Profit Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

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

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

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

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### **11. Non-Solicitation Covenants.**

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_

**2012 HOVNANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**MARKET SHARE UNIT AGREEMENT  
(Community Count Performance Vesting)**

Participant:

\_\_\_\_\_

Date of Grant:

\_\_\_\_\_

Target Number of MSUs:

\_\_\_\_\_

Grant Price:

\_\_\_\_\_

Maximum Number of MSUs:

\_\_\_\_\_

Dates of Vesting:

Number of Eligible MSUs Per  
Vesting Date at Target Level

Date

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Community Count Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on the Date of Grant.

(iii) "Community Count Multiplier" shall be determined as follows by reference to the number of open-for-sale communities, including those for the Company's unconsolidated joint ventures, as of October 31, 2021 as disclosed in the Company's Securities and Exchange Commission filings:

Fiscal Year End 2021 Community Count	Applicable Community Count Multiplier
130 (or less)	0%
135	50%
140 (or greater)	100%

; provided, however, that (a) the applicable Community Count Multiplier for Community Count between the performance ranges shown above shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2021, the Community Count Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Community Count Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 200%, then the Stock Performance Multiplier shall equal 200%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Community Count Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class A Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date and multiplied further by the Community Count Multiplier (with any resulting fractional Share rounded up to the nearest whole Share). If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Community Count Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

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

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

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

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### 11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event

it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_

**2012 HOVNANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**MARKET SHARE UNIT AGREEMENT  
(Community Count Performance Vesting)**

Participant:

\_\_\_\_\_

Date of Grant:

\_\_\_\_\_

Target Number of MSUs:

\_\_\_\_\_

Grant Price:

\_\_\_\_\_

Maximum Number of MSUs:

\_\_\_\_\_

Dates of Vesting:

Date

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Number of Eligible MSUs Per  
Vesting Date at Target Level

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Community Count Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 30 calendar day period ending on the Date of Grant.

(iii) "Community Count Multiplier" shall be determined as follows by reference to the number of open-for-sale communities, including those for the Company's unconsolidated joint ventures, as of October 31, 2021 as disclosed in the Company's Securities and Exchange Commission filings:

<u>Fiscal Year End 2021 Community Count</u>	<u>Applicable Community Count Multiplier</u>
130 (or less)	0%
135	50%
140 (or greater)	100%

; provided, however, that (a) the applicable Community Count Multiplier for Community Count between the performance ranges shown above shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2021, the Community Count Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Community Count Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 200%, then the Stock Performance Multiplier shall equal 200%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Community Count Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class B Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date and multiplied further by the Community Count Multiplier (with any resulting fractional Share rounded up to the nearest whole Share). If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Community Count Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

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

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

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

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### **11. Non-Solicitation Covenants**

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

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

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

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

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

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

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

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

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

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event

it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class B Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**INCENTIVE STOCK OPTION AGREEMENT**

*Participant:*

*Date of Grant:*

*Number of Class A Shares:*

*Grant Price:*

[25% higher than closing price  
on grant date]

*Vesting Schedule:*

*Date*

[second anniversary]

[third anniversary]

[fourth anniversary]

[fifth anniversary]

*Number of Shares*

[25% of shares]

[25% of shares]

[25% of shares]

[25% of shares]

*Option Termination Date:*

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class A Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code") to the extent possible under Section 422 of the Code. Any portion of the Option which is ineligible to be treated as an Incentive Stock Option (due to Section 422(d) of the Code or otherwise) shall be treated as a nonqualified option.

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death, Disability or Retirement. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death, Disability or Retirement, or under the circumstances described in clause (vi) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. This Option shall be wholly void and of no effect after the Option Termination Date. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination of Employment Due to Disability. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof by reason of Disability, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and shall remain exercisable until the Option Termination Date by the Participant or his or her designated personal representative on the Participant's behalf, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder.

(v) Termination of Employment Due to Retirement. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof due to Participant's Retirement, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the first anniversary of the Participant's Retirement, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence (and without limiting the Participant's rights in connection with a Retirement), in the event of the Participant's Qualified Retirement, the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement. As used herein, the term "Qualified Retirement" means the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service.

(vi) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

(iii) Whenever reference in this Agreement is made to the issuance or delivery of certificates representing shares of Common Stock, the Company may elect to issue or deliver such shares in book entry form in lieu of certificates.

4. Notification of Disposition. Participant agrees to notify the Company in writing, within thirty days, of any disposition (whether by sale, exchange, gift, or otherwise) of shares of Common Stock acquired by the Participant pursuant to the exercise of this Option within one year of the transfer of such shares to the Participant.

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

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

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

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

9. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

10. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 10 shall be void and unenforceable against the Company or any Affiliate.

11. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

**12. Non-Solicitation Covenants.**

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

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

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

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

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 12 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**NON-QUALIFIED STOCK OPTION AGREEMENT**

*Participant:*

*Date of Grant:*

*Number of Class B Shares:*

*Grant Price:*

[25% higher than closing price  
on grant date]

*Vesting Schedule:*

<i>Date</i>	<i>Number of Shares</i>
[second anniversary]	[25% of shares]
[third anniversary]	[25% of shares]
[fourth anniversary]	[25% of shares]
[fifth anniversary]	[25% of shares]

*Option Termination Date:*

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class B Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is not an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code").

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death, Disability or Retirement. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death, Disability or Retirement, or under the circumstances described in clause (vi) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. This Option shall be wholly void and of no effect after the Option Termination Date. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination of Employment Due to Disability. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof by reason of Disability, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and shall remain exercisable until the Option Termination Date by the Participant or his or her designated personal representative on the Participant's behalf, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder.

(v) Termination of Employment Due to Retirement. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof due to Participant's Retirement, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the first anniversary of the Participant's Retirement, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence (and without limiting the Participant's rights in connection with a Retirement), in the event of the Participant's Qualified Retirement, the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement. As used herein, the term "Qualified Retirement" means the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service.

(vi) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

(iii) Whenever reference in this Agreement is made to the issuance or delivery of certificates representing shares of Common Stock, the Company may elect to issue or deliver such shares in book entry form in lieu of certificates.

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

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

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

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

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, a Participant may transfer this option in whole or in part by gift or domestic relations order to a family member of the Participant (a "Permitted Transferee") and, following any such transfer such option or portion thereof shall be exercisable only by the Permitted Transferee, provided that no such option or portion thereof is transferred for value, and provided further that, following any such transfer, neither such option or any portion thereof nor any right hereunder shall be transferable other than to the

Participant or otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. For purposes of this paragraph, "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

**11. Non-Solicitation Covenants.**

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

PARTICIPANT

By: \_\_\_\_\_

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**INCENTIVE STOCK OPTION AGREEMENT**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Number of Class A Shares:*

*Grant Price:*

\_\_\_\_\_

\_\_\_\_\_

*Vesting Schedule:*

*Date*

*Number of Shares*

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

*Option Termination Date:*

\_\_\_\_\_

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class A Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code") to the extent possible under Section 422 of the Code. Any portion of the Option which is ineligible to be treated as an Incentive Stock Option (due to Section 422(d) of the Code or otherwise) shall be treated as a nonqualified option.

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death, Disability or Retirement. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death, Disability or Retirement, or under the circumstances described in clause (vi) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. This Option shall be wholly void and of no effect after the Option Termination Date. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination of Employment Due to Disability. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof by reason of Disability, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and shall remain exercisable until the Option Termination Date by the Participant or his or her designated personal representative on the Participant's behalf, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder.

(v) Termination of Employment Due to Retirement. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof due to Participant's Retirement, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the first anniversary of the Participant's Retirement, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence (and without limiting the Participant's rights in connection with a Retirement), in the event of the Participant's Qualified Retirement, the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement. As used herein, the term "Qualified Retirement" means the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service.

(vi) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

(iii) Whenever reference in this Agreement is made to the issuance or delivery of certificates representing shares of Common Stock, the Company may elect to issue or deliver such shares in book entry form in lieu of certificates.

4. Notification of Disposition. Participant agrees to notify the Company in writing, within thirty days, of any disposition (whether by sale, exchange, gift, or otherwise) of shares of Common Stock acquired by the Participant pursuant to the exercise of this Option within one year of the transfer of such shares to the Participant.

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

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

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

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

9. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

10. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 10 shall be void and unenforceable against the Company or any Affiliate.

11. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

**12. Non-Solicitation Covenants.**

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

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

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

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

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 12 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Ara K. Hovnanian  
President, Chief Executive Officer and Chairman of  
the Board

PARTICIPANT<sup>1</sup>

By: \_\_\_\_\_

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

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**NON-QUALIFIED STOCK OPTION AGREEMENT**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Number of Class B Shares:*

*Grant Price:*

\_\_\_\_\_

\_\_\_\_\_

*Vesting Schedule:*

*Date*

*Number of Shares*

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Option Termination Date:*

\_\_\_\_\_

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class B Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is not an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code").

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death, Disability or Retirement. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death, Disability or Retirement, or under the circumstances described in clause (vi) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. This Option shall be wholly void and of no effect after the Option Termination Date. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination of Employment Due to Disability. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof by reason of Disability, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and shall remain exercisable until the Option Termination Date by the Participant or his or her designated personal representative on the Participant's behalf, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder.

(v) Termination of Employment Due to Retirement. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof due to Participant's Retirement, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the first anniversary of the Participant's Retirement, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence (and without limiting the Participant's rights in connection with a Retirement), in the event of the Participant's Qualified Retirement, the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement. As used herein, the term "Qualified Retirement" means the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service.

(vi) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years

following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

(iii) Whenever reference in this Agreement is made to the issuance or delivery of certificates representing shares of Common Stock, the Company may elect to issue or deliver such shares in book entry form in lieu of certificates.

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

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

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

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

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, a Participant may transfer this option in whole or in part by gift or domestic relations order to a family member of the Participant (a "Permitted Transferee") and, following any such transfer such option or portion thereof shall be exercisable only by the Permitted Transferee, provided that no such option or portion thereof is transferred for value, and provided further that, following any such transfer, neither such option or any portion thereof nor any right hereunder shall be transferable other than to the Participant or otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. For purposes of this paragraph, "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew,

mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### 11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Ara K. Hovnanian  
President, Chief Executive Officer and Chairman of  
the Board

PARTICIPANT<sup>1</sup>

By: \_\_\_\_\_

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

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**RESTRICTED SHARE UNIT AGREEMENT**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Number of RSUs:*

\_\_\_\_\_

*Dates of Vesting of Class A Shares:*

Date

Number of RSUs

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

1. Grant of RSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the number of restricted share units ("RSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each RSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

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

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

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

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

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

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the RSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as applicable to a termination due to death or Disability as described under Section 2(c) above. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of

any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

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

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### **11. Non-Solicitation Covenants**

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Ara K. Hovnanian  
President, Chief Executive Officer and Chairman of  
the Board

PARTICIPANT<sup>1</sup>

By: \_\_\_\_\_

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



**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**RESTRICTED SHARE UNIT AGREEMENT  
(Directors)**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Number of RSUs:*

\_\_\_\_\_

*Dates of Vesting of Class A Shares:*

Date

Number of RSUs

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. Grant of RSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the number of restricted share units ("RSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each RSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

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

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

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

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

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

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

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

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

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

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

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

9. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant ceases to be a member of the Board of Directors prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.  
By: \_\_\_\_\_  
Ara K. Hovnanian  
President, Chief Executive Officer and  
Chairman of the Board

PARTICIPANT

By: \_\_\_\_\_

**2012 HOVNIANIAN ENTERPRISES, INC.  
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**NON-QUALIFIED STOCK OPTION AGREEMENT**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Number of Class B Shares:*

*Grant Price:*

\_\_\_\_\_

\_\_\_\_\_

*Vesting Schedule:*

*Date*

*Number of Shares*

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

*Option Termination Date:*

\_\_\_\_\_

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class B Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is not an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code").

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death, Disability or Retirement. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death, Disability or Retirement, or under the circumstances described in clause (vi) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. This Option shall be wholly void and of no effect after the Option Termination Date. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination of Employment Due to Disability. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof by reason of Disability, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and shall remain exercisable until the Option Termination Date by the Participant or his or her designated personal representative on the Participant's behalf, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder.

(v) Termination of Employment Due to Retirement. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof due to Participant's Retirement, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the first anniversary of the Participant's Retirement, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence (and without limiting the Participant's rights in connection with a Retirement), in the event of the Participant's Qualified Retirement, the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement. As used herein, the term "Qualified Retirement" means the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service.

(vi) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years

following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60<sup>th</sup>) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant at the offices of the Company at 110 West Front Street, Red Bank, New Jersey, or such other place as may be mutually acceptable, or, at the election of the Company, by first-class insured mail addressed to the Participant at his or her address shown in the employment records of the Company or at the location at which he or she is employed by the Company or a subsidiary, a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

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

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

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

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

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, a Participant may transfer this option in whole or in part by gift or domestic relations order to a family member of the Participant (a "Permitted Transferee") and, following any such transfer such option or portion thereof shall be exercisable only by the Permitted Transferee, provided that no such option or portion thereof is transferred for value, and provided further that, following any such transfer, neither such option or any portion thereof nor any right hereunder shall be transferable other than to the Participant or otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. For purposes of this paragraph, "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the

Participant's household (other than a tenant or employee), trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

**11. Non-Solicitation Covenants.**

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Ara K. Hovnanian  
President, Chief Executive Officer and Chairman of  
the Board

PARTICIPANT<sup>1</sup>

By: \_\_\_\_\_

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

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

**RESTRICTED SHARE UNIT AGREEMENT**

*Participant:*

*Date of Grant:*

\_\_\_\_\_

\_\_\_\_\_

*Number of RSUs:*

\_\_\_\_\_

*Dates of Vesting of Class A Shares:*

Date

Number of RSUs

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

2. Vesting and Timing of Transfer.

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

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

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

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

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

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the RSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as applicable to a termination due to death or Disability as described under Section 2(c) above. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of

any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

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

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

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

#### **11. Non-Solicitation Covenants**

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Ara K. Hovnanian  
President, Chief Executive Officer and Chairman of  
the Board

PARTICIPANT<sup>1</sup>

By: \_\_\_\_\_

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

Legal Entity Name	State of Formation
Eastern National Title Agency Arizona, LLC	AZ
GTIS-HOV AT SILVERSTONE LLC	AZ
GTIS-HOV Pointe 16 LLC	AZ
K. Hovnanian Arizona New GC, LLC	AZ
K. HOVNANIAN ARIZONA OPERATIONS, LLC	AZ
K. Hovnanian at 17 North, LLC	AZ
K. Hovnanian at 23 North, LLC	AZ
K. Hovnanian at 240 Missouri, LLC	AZ
K. Hovnanian at Acacia Place, LLC	AZ
K. Hovnanian at Aire on McDowell, LLC	AZ
K. Hovnanian at Alameda Point, LLC	AZ
K. Hovnanian at Alto, LLC	AZ
K. Hovnanian at Ambra, LLC	AZ
K. Hovnanian at Andora, LLC	AZ
K. Hovnanian at Aster Ridge, LLC	AZ
K. Hovnanian at Catania, LLC	AZ
K. Hovnanian at Eagle Heights, LLC	AZ
K. Hovnanian at Gallery, LLC	AZ
K. Hovnanian at Galloway Ridge, LLC	AZ
K. Hovnanian at Honeysuckle Trail, LLC	AZ
K. Hovnanian at Laveen Springs, LLC	AZ
K. Hovnanian at Luke Landing, LLC	AZ
K. Hovnanian at Maryland Ridge, LLC	AZ
K. Hovnanian at McCartney Ranch, LLC	AZ
K. Hovnanian at Monroe Ranch, LLC	AZ
K. Hovnanian at Montana Vista Dobbins, LLC	AZ
K. Hovnanian at Montana Vista, LLC	AZ
K. Hovnanian at Orangewood Ranch, LLC	AZ
K. Hovnanian at Palermo, LLC	AZ
K. Hovnanian at Palm Valley, L.L.C.	AZ
K. Hovnanian at Park Paseo, LLC	AZ
K. Hovnanian at Pinnacle Peak Patio, LLC	AZ
K. Hovnanian at Pointe 16, LLC	AZ
K. Hovnanian at Quail Creek, L.L.C.	AZ
K. Hovnanian at Rancho Cabrillo, LLC	AZ
K. Hovnanian at Rancho El Dorado, LLC	AZ
K. Hovnanian at Rancho Mirage Parcel 17, LLC	AZ
K. Hovnanian at Rancho Mirage Parcel 23, LLC	AZ
K. Hovnanian at Santa Rosa Springs, LLC	AZ
K. Hovnanian at Santanilla, LLC	AZ
K. Hovnanian at Scottsdale Heights, LLC	AZ
K. Hovnanian at Sienna Hills, LLC	AZ
K. Hovnanian at Silverstone G, LLC	AZ
K. Hovnanian at Silverstone, LLC	AZ
K. Hovnanian at Skye on McDowell, LLC	AZ
K. Hovnanian at Solare, LLC	AZ
K. Hovnanian at Sterling Vistas, LLC	AZ
K. Hovnanian at Sun City West, LLC	AZ
K. Hovnanian at Sunrise Trail II, LLC	AZ
K. Hovnanian at Sunrise Trail III, LLC	AZ
K. Hovnanian at The Meadows 9, LLC	AZ
K. Hovnanian at The Meadows, LLC	AZ
K. Hovnanian at Tierra, LLC	AZ
K. Hovnanian at Tortosa South, LLC	AZ
K. Hovnanian at Union Park, LLC	AZ
K. Hovnanian at Ventana Lakes, LLC	AZ
K. Hovnanian at Verrado Cascina, LLC	AZ
K. Hovnanian at Verrado Markerside, LLC	AZ
K. Hovnanian at Victory at Verrado, LLC	AZ
K. Hovnanian at Wildflower at South Mountain, LLC	AZ
K. Hovnanian Companies of Arizona, LLC	AZ
K. HOVNANIAN GREAT WESTERN HOMES, LLC	AZ
K. Hovnanian Legacy at Via Bella, LLC	AZ
K. Hovnanian Phoenix Division, Inc.	AZ
K. Hovnanian West Group, LLC	AZ
K. Hovnanian's Four Seasons at The Manor II, LLC	AZ
K. Hovnanian's Four Seasons at The Manor, LLC	AZ
2700 Empire, LLC	CA
GTIS-HOV Positano LLC	CA
GTIS-HOV Rancho 79 LLC	CA
K. HOV IP, II, Inc.	CA
K. Hovnanian Aspire at Bellevue Ranch, LLC	CA
K. Hovnanian Aspire at River Terrace, LLC	CA
K. Hovnanian Aspire at Solaire, LLC	CA

K. Hovnanian Aspire at Stones Throw, LLC	CA
K. Hovnanian at Andalusia, LLC	CA
K. Hovnanian at Aspire at Apricot Grove PH2, LLC	CA
K. Hovnanian at Bakersfield 463, L.L.C.	CA
K. Hovnanian at Beacon Park Area 129 II, LLC	CA
K. Hovnanian at Beacon Park Area 129, LLC	CA
K. Hovnanian at Beacon Park Area 137, LLC	CA
K. Hovnanian at Blackstone, LLC	CA
K. Hovnanian at Cadence Park, LLC	CA
K. HOVNaNIAN AT CAPISTRANO, L.L.C.	CA
K. Hovnanian at Carlsbad, LLC	CA
K. Hovnanian at Cedar Lane, LLC	CA
K. Hovnanian at Cielo, L.L.C.	CA
K. Hovnanian at Fiddymment Ranch, LLC	CA
K. Hovnanian at Firefly at Winding Creek, LLC	CA
K. Hovnanian at Fresno, LLC	CA
K. Hovnanian at Gilroy 60, LLC	CA
K. Hovnanian at Gilroy, LLC	CA
K. Hovnanian at Hidden Lake, LLC	CA
K. Hovnanian at Jaeger Ranch, LLC	CA
K. Hovnanian at La Laguna, L.L.C.	CA
K. Hovnanian at Ladd Ranch, LLC	CA
K. Hovnanian at Luna Vista, LLC	CA
K. Hovnanian at Manteca, LLC	CA
K. Hovnanian at Melanie Meadows, LLC	CA
K. Hovnanian at Meridian Hills, LLC	CA
K. Hovnanian at Muirfield, LLC	CA
K. Hovnanian at Parkside, LLC	CA
K. Hovnanian at Pavilion Park, LLC	CA
K. Hovnanian at Positano, LLC	CA
K. HOVNaNIAN AT ROSEMARY LANTANA, L.L.C.	CA
K. Hovnanian at Sage II Harvest at Limoneira, LLC	CA
K. Hovnanian at Santa Nella, LLC	CA
K. Hovnanian at Sendero Ranch, LLC	CA
K. Hovnanian at Sheldon Grove, LLC	CA
K. Hovnanian at Sierra Vista, LLC	CA
K. Hovnanian at Skye Isle, LLC	CA
K. Hovnanian at Stanton, LLC	CA
K. Hovnanian at Sunridge Park, LLC	CA
K. Hovnanian at Trail Ridge, LLC	CA
K. Hovnanian at Valle Del Sol, LLC	CA
K. Hovnanian at Verona Estates, LLC	CA
K. Hovnanian at Victorville, L.L.C.	CA
K. Hovnanian at Village Center, LLC	CA
K. Hovnanian at Vineyard Heights, LLC	CA
K. Hovnanian at Vista Lago, LLC	CA
K. Hovnanian at Waterstone, LLC	CA
K. Hovnanian at West View Estates, L.L.C.	CA
K. Hovnanian at Westshore, LLC	CA
K. Hovnanian at Wheeler Ranch, LLC	CA
K. Hovnanian at Woodcreek West, LLC	CA
K. Hovnanian CA Land Holdings, LLC	CA
K. Hovnanian California Operations, Inc.	CA
K. Hovnanian California Region, Inc.	CA
K. Hovnanian Communities, Inc.	CA
K. Hovnanian Companies of Southern California, Inc.	CA
K. Hovnanian Companies, LLC	CA
K. Hovnanian East Group, LLC	CA
K. Hovnanian Enterprises, Inc.	CA
K. Hovnanian Four Seasons at Homestead, LLC	CA
K. Hovnanian GT Investment, L.L.C.	CA
K. Hovnanian Homes Northern California, Inc.	CA
K. Hovnanian JV Holdings, L.L.C.	CA
K. Hovnanian JV Services Company, L.L.C.	CA
K. Hovnanian Meadow View at Mountain House, LLC	CA
K. Hovnanian Northeast Division, Inc.	CA
K. Hovnanian Operations Company, Inc.	CA
K. Hovnanian Terra Lago Investment, LLC	CA
K. Hovnanian's Aspire at Union Village, LLC	CA
K. HOVNaNIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.	CA
K. Hovnanian's Four Seasons at Beaumont, LLC	CA
K. Hovnanian's Four Seasons at Los Banos, LLC	CA
K. Hovnanian's Sonata at The Preserve, LLC	CA
K. Hovnanian's Veranda at RiverPark II, LLC	CA
K. Hovnanian's Veranda at RiverPark, LLC	CA
STONEBROOK HOMES, INC.	CA

K. Hovnanian Parkview at Sterling Meadows, LLC	CA
K. Hovnanian Developments of D.C., Inc.	DC
K. Hovnanian Homes at Parkside, LLC	DC
K. Hovnanian Homes of D.C., L.L.C.	DC
GTIS-HOV Arbors at Monroe Parent LLC	DE
GTIS-HOV Four Ponds Parent LLC	DE
GTIS-HOV Heatherfield Parent LLC	DE
GTIS-HOV Holdings IX LLC	DE
GTIS-HOV Holdings LLC	DE
GTIS-Hov Holdings V LLC	DE
GTIS-HOV Lakes of Cane Bay Parent LLC	DE
GTIS-HOV Parkside of Libertyville Parent LLC	DE
GTIS-HOV Pinnacle Peak Patio Parent LLC	DE
GTIS-HOV Sauganash Glen Parent LLC	DE
Homebuyers Financial USA, LLC	DE
Hovnanian Enterprises, Inc. (PARENT COMPANY)	DE
HovSite Catalina LLC	DE
HovSite Churchill Club LLC	DE
HovSite Firenze LLC	DE
HovSite Greenwood Manor LLC	DE
HovSite Hunt Club LLC	DE
HovSite Liberty Lakes LLC	DE
HovSite Monteverde 1 & 2 LLC	DE
HovSite Monteverde 3 & 4 LLC	DE
HovSite Providence LLC	DE
HovSite Southampton LLC	DE
K. Hovnanian Agency Holdings, LLC	DE
K. Hovnanian at Admiral's Landing, LLC	DE
K. Hovnanian at Ashby Place, LLC	DE
K. Hovnanian at Aspire at Webber Farm, LLC	DE
K. Hovnanian at Aspire at Wickersham, LLC	DE
K. Hovnanian at Autumn Ridge, LLC	DE
K. Hovnanian at Bay Knolls, LLC	DE
K. Hovnanian at Brenford Station, LLC	DE
K. Hovnanian at Cedar Lane Estates, LLC	DE
K. Hovnanian at Egret Shores, LLC	DE
K. Hovnanian at Fork Landing, LLC	DE
K. Hovnanian at Harbor's Edge at Bayside, LLC	DE
K. Hovnanian at Hidden Brook, LLC	DE
K. Hovnanian at Liberty West, LLC	DE
K. Hovnanian at Middletown Reserve, LLC	DE
K. Hovnanian at North Brunswick VI, L.L.C.	DE
K. Hovnanian at Nottingham Meadows, LLC	DE
K. Hovnanian at Ocean View Beach Club, LLC	DE
K. Hovnanian at Oyster Cove, LLC	DE
K. Hovnanian at Patriots Bluff, LLC	DE
K. Hovnanian at Plantation Lakes, L.L.C.	DE
K. Hovnanian at Pleasanton, LLC	DE
K. Hovnanian at Red Mill Pond, LLC	DE
K. Hovnanian at Retreat at Millstone, LLC	DE
K. Hovnanian at Seabrook, LLC	DE
K. Hovnanian at Tower Hill, LLC	DE
K. Hovnanian at Townsend Fields, LLC	DE
K. Hovnanian at Woodfield, LLC	DE
K. Hovnanian Central Acquisitions, L.L.C.	DE
K. Hovnanian Delaware Division, Inc.	DE
K. Hovnanian Delaware Operations, LLC	DE
K. Hovnanian GT IX Investment, LLC	DE
K. Hovnanian GT V Investment, LLC	DE
K. Hovnanian GT VI Investment, LLC	DE
K. Hovnanian GT VII Investment, LLC	DE
K. Hovnanian GT VIII Investment, LLC	DE
K. Hovnanian GT X Investment, LLC	DE
K. Hovnanian GT XII Investment, LLC	DE
K. Hovnanian GT XIII Investment, LLC	DE
K. Hovnanian Homes at Knollac Acres, LLC	DE
K. Hovnanian Homes at Summit Pointe, LLC	DE
K. Hovnanian Homes of Delaware I, LLC	DE
K. Hovnanian Homes of Longacre Village, L.L.C.	DE
K. Hovnanian HovSite II Investment, LLC	DE
K. Hovnanian HovSite III Investment, LLC	DE
K. Hovnanian M.E. Investments, LLC	DE
K. Hovnanian New Jersey Operations, LLC	DE
K. Hovnanian North Central Acquisitions, L.L.C.	DE
K. Hovnanian North Jersey Acquisitions, L.L.C.	DE
K. Hovnanian South Jersey Acquisitions, L.L.C.	DE

K. Hovnanian's Four Seasons at Baymont Farms L.L.C.	DE
K. Hovnanian's Four Seasons at Hatteras Hills, LLC	DE
K. Hovnanian's Four Seasons at Silver Maple Farm, L.L.C.	DE
KHH Shell Hall Loan Acquisition, LLC	DE
Ridgemore Utility of Delaware, LLC	DE
Traverse Partners, LLC	DE
Washington Homes, Inc.	DE
WTC Ventures, L.L.C.	DE
GTIS-HOV Nicholson Parent LLC	DE
Eastern National Title Agency Florida, LLC	FL
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.	FL
K. Hovnanian Amber Glen, LLC	FL
K. Hovnanian Armen Groves, LLC	FL
K. Hovnanian Aspire at Boatman Hammock, LLC	FL
K. Hovnanian Aspire at East Lake, LLC	FL
K. Hovnanian Aspire at Hawks Ridge, LLC	FL
K. Hovnanian Aspire at Marion Oaks, LLC	FL
K. Hovnanian Aspire at Palm Bay, LLC	FL
K. Hovnanian Aspire at Port St. Lucie, LLC	FL
K. Hovnanian Aspire at Victoria Parc, LLC	FL
K. HOVNANIAN ASPIRE AT WATERSTONE, LLC	FL
K. Hovnanian at Avenir II, LLC	FL
K. HOVNANIAN AT AVENIR, LLC	FL
K. Hovnanian at Boca Dunes, LLC	FL
K. Hovnanian at Coral Lago, LLC	FL
K. Hovnanian at Delray Beach, L.L.C.	FL
K. Hovnanian at Hampton Cove, LLC	FL
K. Hovnanian at Heritage Grove, LLC	FL
K. Hovnanian at Hilltop Reserve II, LLC	FL
K. Hovnanian at Hilltop Reserve, LLC	FL
K. Hovnanian at Lake Burden, LLC	FL
K. Hovnanian at Lake Florence, LLC	FL
K. Hovnanian at Lake LeClare, LLC	FL
K. Hovnanian at Pickett Reserve, LLC	FL
K. Hovnanian at Redtail, LLC	FL
K. Hovnanian at Salerno Reserve, LLC	FL
K. Hovnanian at Spring Isle, LLC	FL
K. Hovnanian at Summerlake, LLC	FL
K. Hovnanian at Terra Bella Two, LLC	FL
K. Hovnanian at The Highlands at Summerlake Grove, LLC	FL
K. Hovnanian at Valletta, LLC	FL
K. Hovnanian at Walkers Grove, LLC	FL
K. Hovnanian Belmont Reserve, LLC	FL
K. Hovnanian Cambridge Homes, L.L.C.	FL
K. Hovnanian Companies of Florida, LLC	FL
K. Hovnanian Cypress Creek, LLC	FL
K. Hovnanian Cypress Key, LLC	FL
K. Hovnanian Estates at Wekiva, LLC	FL
K. HOVNANIAN FIRST HOMES, L.L.C.	FL
K. HOVNANIAN FLORIDA OPERATIONS, LLC	FL
K. Hovnanian Florida Realty, L.L.C.	FL
K. Hovnanian Fox Pointe, LLC	FL
K. Hovnanian Grand Cypress, LLC	FL
K. Hovnanian Grandefield, LLC	FL
K. Hovnanian Homes of Florida I, LLC	FL
K. Hovnanian Ivy Trail, LLC	FL
K. Hovnanian Lake Griffin Reserve, LLC	FL
K. Hovnanian Lake Parker, LLC	FL
K. Hovnanian Magnolia at Westside, LLC	FL
K. Hovnanian Montclair Estates, LLC	FL
K. Hovnanian Ocoee Landings, LLC	FL
K. Hovnanian Orlando Division, LLC	FL
K. Hovnanian Osprey Ranch, LLC	FL
K. Hovnanian Preserve at Avonlea, LLC	FL
K. HOVNANIAN PRESERVE AT TURTLE CREEK LLC	FL
K. Hovnanian Reynolds Ranch, LLC	FL
K. Hovnanian Riverside, LLC	FL
K. Hovnanian Rivington, LLC	FL
K. Hovnanian San Sebastian, LLC	FL
K. Hovnanian Sereno, LLC	FL
K. Hovnanian South Fork, LLC	FL
K. Hovnanian Southeast Florida Division, LLC	FL
K. Hovnanian Sterling Ranch, LLC	FL
K. Hovnanian T&C Homes at Florida, L.L.C.	FL
K. Hovnanian TerraLargo, LLC	FL
K. Hovnanian Union Park, LLC	FL

K. Hovnanian Winding Bay Preserve, LLC	FL
K. HOVNANIAN WINDWARD HOMES, LLC	FL
K. Hovnanian's Four Seasons at Lake Harris, LLC	FL
KHOV WINDING BAY II, LLC	FL
LINKS AT CALUSA SPRINGS, LLC	FL
K. Hovnanian at The Commons at Richmond Hill, LLC	GA
K. Hovnanian at Westbrook, LLC	GA
K. Hovnanian Developments of Georgia, Inc.	GA
K. Hovnanian Georgia Operations, LLC	GA
K. HOVNANIAN HOMES AT CREEKSIDE, LLC	GA
K. Hovnanian's Aspire at New Hampstead, LLC	GA
Amber Ridge, LLC	IL
Arbor Trails, LLC	IL
EASTERN NATIONAL TITLE AGENCY ILLINOIS, LLC	IL
Glenrise Grove, L.L.C.	IL
GTIS-HOV Parkside of Libertyville LLC	IL
GTIS-HOV Sauganash Glen LLC	IL
K. Hovnanian at Amberley Woods, LLC	IL
K. Hovnanian at Ashley Pointe LLC	IL
K. Hovnanian at Bradwell Estates, LLC	IL
K. Hovnanian at Christina Court, LLC	IL
K. Hovnanian at Churchill Farms LLC	IL
K. Hovnanian at Deer Ridge, LLC	IL
K. Hovnanian at Estates of Fox Chase, LLC	IL
K. Hovnanian at Fairfield Ridge, LLC	IL
K. Hovnanian at Grande Park, LLC	IL
K. Hovnanian at Hanover Estates, LLC	IL
K. Hovnanian at Heatherfield, LLC	IL
K. Hovnanian at Island Lake, LLC	IL
K. Hovnanian at Link Crossing, LLC	IL
K. Hovnanian at Maple Hill LLC	IL
K. Hovnanian at Meadowridge Villas, LLC	IL
K. Hovnanian at North Grove Crossing, LLC	IL
K. Hovnanian at North Pointe Estates LLC	IL
K. Hovnanian at Northridge Estates, LLC	IL
K. Hovnanian at Orchard Meadows, LLC	IL
K. Hovnanian at Prairie Pointe, LLC	IL
K. Hovnanian at Randall Highlands, LLC	IL
K. Hovnanian at River Hills, LLC	IL
K. Hovnanian at Sagebrook, LLC	IL
K. HOVNANIAN AT SILVER LEAF, LLC	IL
K. Hovnanian at Silverwood Glen, LLC	IL
K. Hovnanian at Somerset, LLC	IL
K. HOVNANIAN AT TAMARACK SOUTH LLC	IL
K. Hovnanian at Tanglewood Oaks, LLC	IL
K. Hovnanian at Trafford Place, LLC	IL
K. Hovnanian at Tramore LLC	IL
K. HOVNANIAN AT VILLAS AT THE COMMONS, LLC	IL
K. Hovnanian Chicago Division, Inc.	IL
K. Hovnanian Estates at Regency, L.L.C.	IL
K. HOVNANIAN ILLINOIS OPERATIONS, LLC	IL
K. Hovnanian T&C Homes at Illinois, L.L.C.	IL
K. Hovnanian's Four Seasons at Briargate, LLC	IL
K. Hovnanian at Norton Lake LLC	IL
Eastern National Title Agency Maryland, LLC	MD
GTIS-HOV Villages at Pepper Mill LLC	MD
Homebuyers Financial Services, L.L.C.	MD
Hovnanian Land Investment Group of Maryland, L.L.C.	MD
Hovnanian Land Investment Group, L.L.C.	MD
K. Hovnanian at Brittany Manor, LLC	MD
K. Hovnanian at Caton's Reserve, LLC	MD
K. Hovnanian at Eden Terrace, L.L.C.	MD
K. Hovnanian at Grace Meadows, LLC	MD
K. Hovnanian at Southpointe, LLC	MD
K. Hovnanian at Wade's Grant, L.L.C.	MD
K. Hovnanian Brittany Manor Borrower, LLC	MD
K. Hovnanian Developments of Maryland, Inc.	MD
K. Hovnanian Homes at Russett, L.L.C.	MD
K. Hovnanian Homes of Maryland I, LLC	MD
K. Hovnanian Homes of Maryland II, LLC	MD
K. Hovnanian Homes of Maryland, L.L.C.	MD
K. Hovnanian's Four Seasons at Kent Island III, LLC	MD
K. Hovnanian's Four Seasons at Kent Island, L.L.C.	MD
Ridgemoor Utility L.L.C.	MD
K. Hovnanian Developments of Minnesota, Inc.	MN
K. Hovnanian Homes of Minnesota at Arbor Creek, LLC	MN

K. Hovnanian Homes of Minnesota at Autumn Meadows, LLC	MN
K. Hovnanian Homes of Minnesota at Brynwood, LLC	MN
K. Hovnanian Homes of Minnesota at Cedar Hollow, LLC	MN
K. Hovnanian Homes of Minnesota at Founder's Ridge, LLC	MN
K. Hovnanian Homes of Minnesota at Harpers Street Woods, LLC	MN
K. Hovnanian Homes of Minnesota at Oaks of Oxbow, LLC	MN
K. Hovnanian Homes of Minnesota at Regent's Point, LLC	MN
K. Hovnanian Homes of Minnesota, L.L.C.	MN
K. Hovnanian Liberty on Bluff Creek, LLC	MN
K. Hovnanian Timbres at Elm Creek, LLC	MN
K. Hovnanian's Four Seasons at Rush Creek II, LLC	MN
K. Hovnanian at Burch Kove, LLC	NC
K. Hovnanian at Indian Wells, LLC	NC
K. Hovnanian at Lily Orchard, LLC	NC
K. Hovnanian at Main Street Square, LLC	NC
K. Hovnanian at Oak Pointe, LLC	NC
K. Hovnanian at The Promenade at Beaver Creek, LLC	NC
K. Hovnanian at Wheeler Woods, LLC	NC
K. Hovnanian Developments of North Carolina, Inc.	NC
K. Hovnanian Homes at Brook Manor, LLC	NC
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.	NC
K. Hovnanian Sherwood at Regency, LLC	NC
Builder Services NJ, L.L.C.	NJ
Eastern National Title Agency, Inc.	NJ
F&W MECHANICAL SERVICES, L.L.C.	NJ
GTIS-HOV Arbors at Monroe LLC	NJ
K. HOVNANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.	NJ
K. Hovnanian Acquisitions, Inc.	NJ
K. Hovnanian American Mortgage, L.L.C.	NJ
K. HOVNANIAN ASPIRE AT MORRIS WOODS, LLC	NJ
K. Hovnanian at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian at Branchburg II, LLC	NJ
K. Hovnanian at Branchburg, L.L.C.	NJ
K. Hovnanian at Branchburg-Vollers, LLC	NJ
K. Hovnanian at Charleston Meadows, LLC	NJ
K. Hovnanian at Chesterfield, L.L.C.	NJ
K. Hovnanian at Dunellen Urban Renewal, LLC	NJ
K. Hovnanian at East Brunswick III, LLC	NJ
K. Hovnanian at East Brunswick, LLC	NJ
K. Hovnanian at East Windsor, LLC	NJ
K. Hovnanian at Emerald Estates, LLC	NJ
K. Hovnanian at Fifth Avenue, L.L.C.	NJ
K. Hovnanian at Franklin II, L.L.C.	NJ
K. Hovnanian at Franklin, L.L.C.	NJ
K. Hovnanian at Freehold Township III, LLC	NJ
K. HOVNANIAN AT GLEN OAKS, LLC	NJ
K. Hovnanian at Great Notch, L.L.C.	NJ
K. Hovnanian at Heritage at West Windsor, LLC	NJ
K. Hovnanian at Hillandale, LLC	NJ
K. Hovnanian at Hillsborough, LLC	NJ
K. Hovnanian at Howell Fort Plains, LLC	NJ
K. Hovnanian at Howell II, LLC	NJ
K. Hovnanian at Howell, LLC	NJ
K. Hovnanian at Jackson I, L.L.C.	NJ
K. Hovnanian at Jackson, L.L.C.	NJ
K. Hovnanian at Little Egg Harbor Township II, L.L.C.	NJ
K. Hovnanian at Manalapan Crossing, LLC	NJ
K. Hovnanian at Manalapan II, L.L.C.	NJ
K. Hovnanian at Manalapan IV, LLC	NJ
K. Hovnanian at Manalapan Landing, LLC	NJ
K. Hovnanian at Manalapan V, LLC	NJ
K. Hovnanian at Manalapan VI, LLC	NJ
K. Hovnanian at Maple Avenue, L.L.C.	NJ
K. Hovnanian at Marlboro Grove, LLC	NJ
K. Hovnanian at Middletown III, LLC	NJ
K. Hovnanian at Middletown IV, LLC	NJ
K. Hovnanian at Millville II, L.L.C.	NJ
K. Hovnanian at Monroe NJ II, LLC	NJ
K. Hovnanian at Monroe NJ III, LLC	NJ
K. Hovnanian at Monroe NJ, L.L.C.	NJ
K. Hovnanian at Montgomery, LLC	NJ
K. Hovnanian at Montvale II, LLC	NJ
K. Hovnanian at Morris Twp, LLC	NJ
K. Hovnanian at North Caldwell III, L.L.C.	NJ
K. Hovnanian at North Caldwell IV, L.L.C.	NJ
K. Hovnanian at North Wildwood, L.L.C.	NJ

K. Hovnanian at Oakland, LLC	NJ
K. Hovnanian at Old Bridge II, LLC	NJ
K. Hovnanian at Old Bridge, L.L.C.	NJ
K. Hovnanian at Port Imperial Investment, LLC	NJ
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.	NJ
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.	NJ
K. Hovnanian at Rancocas Creek, LLC	NJ
K. Hovnanian at Reservoir Point, LLC	NJ
K. Hovnanian at Ridgemont, L.L.C.	NJ
K. Hovnanian at Sandpiper Place, LLC	NJ
K. Hovnanian at Shrewsbury, LLC	NJ
K. Hovnanian at Smithville, Inc.	NJ
K. Hovnanian at South Brunswick II, LLC	NJ
K. Hovnanian at South Brunswick III, LLC	NJ
K. Hovnanian at South Brunswick IV, LLC	NJ
K. Hovnanian at Station Square, L.L.C.	NJ
K. Hovnanian at The Monarch, L.L.C.	NJ
K. HOVNANIAN AT TOWNES AT PARKVIEW, LLC	NJ
K. Hovnanian at Trenton II, L.L.C.	NJ
K. Hovnanian at Trenton Urban Renewal, L.L.C.	NJ
K. Hovnanian at Villages at Country View, LLC	NJ
K. Hovnanian at Wall Donato, LLC	NJ
K. Hovnanian at Wall Quail Ridge, LLC	NJ
K. Hovnanian at Warren Township II, LLC	NJ
K. Hovnanian at Wildwood Bayside, L.L.C.	NJ
K. Hovnanian at Woolwich I, L.L.C.	NJ
K. Hovnanian GT XI Investment, LLC	NJ
K. Hovnanian Holdings NJ, L.L.C.	NJ
K. Hovnanian Manalapan Acquisition, LLC	NJ
K. Hovnanian Northeast Services, L.L.C.	NJ
K. Hovnanian Properties of Red Bank, LLC	NJ
K. Hovnanian Serenity Walk at Plainsboro Urban Renewal, LLC	NJ
K. Hovnanian Southern New Jersey, L.L.C.	NJ
K. Hovnanian Villages at Hays Mill Creek, LLC	NJ
K. Hovnanian's Aegean at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian's Baltic at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian's Cove at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian's Four Seasons at Bella Vista, LLC	NJ
K. HOVNANIAN'S FOUR SEASONS AT COLTS FARM, LLC	NJ
LANDARAMA, INC.	NJ
M & M at Monroe Woods, L.L.C.	NJ
M&M at West Orange, L.L.C.	NJ
Matzel & Mumford at Egg Harbor, L.L.C.	NJ
MCNJ, Inc.	NJ
MM-Beachfront North I, LLC	NJ
Route 1 and Route 522, L.L.C.	NJ
Terrapin Realty, L.L.C.	NJ
The Matzel & Mumford Organization, Inc	NJ
K. Hovnanian at Waldwick, LLC	NJ
K. Hovnanian Classics, L.L.C.	NJ
K. HOVNANIAN COMPANIES OF NEW YORK, INC.	NY
K. Hovnanian Developments of New York, Inc.	NY
K. Hovnanian New York Operations, LLC	NY
K. Hovnanian Aberdeen, LLC	OH
K. Hovnanian Akron Scattered Site, LLC	OH
K. Hovnanian Asbury Pointe, LLC	OH
K. Hovnanian Aspire at Auld Farms, LLC	OH
K. Hovnanian Aspire at Weston Place, LLC	OH
K. Hovnanian at Booth Farm, LLC	OH
K. Hovnanian at Cooper's Landing, LLC	OH
K. Hovnanian at Country View Estates, LLC	OH
K. Hovnanian at Hampshire Farms, LLC	OH
K. Hovnanian at Harvest Meadows, LLC	OH
K. Hovnanian at Hawk Ridge, LLC	OH
K. Hovnanian at Heritage Park, LLC	OH
K. Hovnanian at Orchard Park, LLC	OH
K. Hovnanian at Riverfield Reserve, LLC	OH
K. Hovnanian Belden Pointe, LLC	OH
K. Hovnanian Buckeye Ridge, LLC	OH
K. Hovnanian Build on Your Lot Division, LLC	OH
K. Hovnanian Cleveland Division, LLC	OH
K. Hovnanian Cornerstone Farms, LLC	OH
K. Hovnanian Edgebrook, LLC	OH
K. Hovnanian Falls Pointe, LLC	OH
K. Hovnanian Forest Lakes, LLC	OH
K. Hovnanian Forest Valley, LLC	OH

K. Hovnanian Four Seasons at Chestnut Ridge, LLC	OH
K. Hovnanian Hidden Hollow, LLC	OH
K. Hovnanian Highland Ridge, LLC	OH
K. Hovnanian Indian Trails, LLC	OH
K. Hovnanian Kingston at Western Reserve, LLC	OH
K. Hovnanian LaDue Reserve, LLC	OH
K. Hovnanian Lakes of Green, LLC	OH
K. Hovnanian Landings 40s, LLC	OH
K. Hovnanian Meadow Lakes, LLC	OH
K. Hovnanian Monarch Grove, LLC	OH
K. Hovnanian Northpointe 40s, LLC	OH
K. Hovnanian Norton Place, LLC	OH
K. Hovnanian Ohio Realty, L.L.C.	OH
K. Hovnanian Ohio Region, Inc.	OH
K. Hovnanian Redfern Trails, LLC	OH
K. Hovnanian Rivendale, LLC	OH
K. Hovnanian Schady Reserve, LLC	OH
K. Hovnanian Village Glen, LLC	OH
K. Hovnanian Waterbury, LLC	OH
K. Hovnanian White Road, LLC	OH
K. Hovnanian Woodland Pointe, LLC	OH
K. Hovnanian's Four Seasons at Sandstone, LLC	OH
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.	OH
New Home Realty, LLC	OH
K. HOVNANIAN OHIO OPERATIONS, LLC	OH
K. Hovnanian Woodridge Place, LLC	OH
Builder Services PA, L.L.C.	PA
Eastern National Abstract, Inc.	PA
GTIS-HOV Warminster LLC	PA
K. Hovnanian at Doylestown, LLC	PA
K. Hovnanian at Middletown, LLC	PA
K. Hovnanian at Northampton, L.L.C.	PA
K. Hovnanian Developments of Pennsylvania, Inc.	PA
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.	PA
K. Hovnanian PA Real Estate, Inc.	PA
K. Hovnanian Pennsylvania Build on Your Lot Division, LLC	PA
K. Hovnanian Pennsylvania Operations, LLC	PA
Midwest Building Products & Contractor Services of Pennsylvania, L.L.C.	PA
K. Hovnanian at Upper Providence, LLC	PA
K. Hovnanian at Coosaw Point, LLC	SC
K. Hovnanian at Fox Path at Hampton Lake, LLC	SC
K. Hovnanian at Hammock Breeze, LLC	SC
K. Hovnanian at Hampton Lake, LLC	SC
K. Hovnanian at Lakes at New Riverside, LLC	SC
K. Hovnanian at Liberty Hill Farm, LLC	SC
K. Hovnanian at Magnolia Place, LLC	SC
K. Hovnanian at Pinckney Farm, LLC	SC
K. Hovnanian at Pine Crest, LLC	SC
K. Hovnanian CraftBuilt Homes of South Carolina, L.L.C.	SC
K. Hovnanian Homes at Salt Creek Landing, LLC	SC
K. Hovnanian Homes at Sandy Creek Landing, LLC	SC
K. Hovnanian Homes at Shell Hall, LLC	SC
K. Hovnanian Homes at The Abby, LLC	SC
K. Hovnanian Homes at The Paddocks, LLC	SC
K. Hovnanian South Carolina Operations, LLC	SC
K. Hovnanian Southeast Coastal Division, Inc.	SC
K. Hovnanian's Four Seasons at Cane Bay Expansion, LLC	SC
K. Hovnanian's Four Seasons at Lakes of Cane Bay LLC	SC
K. Hovnanian's Four Seasons at Malind Bluff, LLC	SC
K. Hovnanian's Lakes at New Riverside Expansion, LLC	SC
Shell Hall Club Amenity Acquisition, LLC	SC
Shell Hall Land Acquisition, LLC	SC
Eastern National Title Agency Texas, Inc.	TX
K. Hovnanian Developments of Texas, Inc.	TX
K. Hovnanian DFW Agave Ranch, LLC	TX
K. Hovnanian DFW Ascend at Creekshaw, LLC	TX
K. Hovnanian DFW Ascend at Justin Crossing, LLC	TX
K. Hovnanian DFW Auburn Farms, LLC	TX
K. Hovnanian DFW Bayside, LLC	TX
K. Hovnanian DFW Belmont, LLC	TX
K. Hovnanian DFW Berkshire II, LLC	TX
K. Hovnanian DFW Berkshire, LLC	TX
K. Hovnanian DFW Bluff Creek, LLC	TX
K. Hovnanian DFW Caldwell Lakes, LLC	TX
K. Hovnanian DFW Calloway Trails, LLC	TX
K. Hovnanian DFW Canyon Falls, LLC	TX

K. Hovnanian DFW Carillon, LLC	TX
K. Hovnanian DFW Commodore at Preston, LLC	TX
K. Hovnanian DFW Courts at Bonnie Brae, LLC	TX
K. Hovnanian DFW Creekside Estates II, LLC	TX
K. Hovnanian DFW Diamond Creek Estates, LLC	TX
K. Hovnanian DFW Division, LLC	TX
K. Hovnanian DFW Elevation, LLC	TX
K. Hovnanian DFW Encore of Las Colinas II, LLC	TX
K. Hovnanian DFW Encore of Las Colinas, LLC	TX
K. Hovnanian DFW Harmon Farms, LLC	TX
K. Hovnanian DFW Heritage Crossing, LLC	TX
K. Hovnanian DFW Heritage Ranch, LLC	TX
K. Hovnanian DFW Heron Pond, LLC	TX
K. Hovnanian DFW High Pointe, LLC	TX
K. Hovnanian DFW Hightower, LLC	TX
K. Hovnanian DFW Homestead, LLC	TX
K. Hovnanian DFW Inspiration, LLC	TX
K. Hovnanian DFW Kensington Place, LLC	TX
K. Hovnanian DFW Lexington, LLC	TX
K. Hovnanian DFW Liberty Crossing II, LLC	TX
K. Hovnanian DFW Liberty Crossing, LLC	TX
K. Hovnanian DFW Liberty, LLC	TX
K. Hovnanian DFW Light Farms Cypress III, LLC	TX
K. Hovnanian DFW Light Farms II, LLC	TX
K. Hovnanian DFW Light Farms, LLC	TX
K. Hovnanian DFW Midtown Park, LLC	TX
K. Hovnanian DFW Milrany Ranch, LLC	TX
K. Hovnanian DFW Monterra, LLC	TX
K. Hovnanian DFW Mustang Lakes II, LLC	TX
K. Hovnanian DFW Mustang Lakes, LLC	TX
K. Hovnanian DFW Noble Ridge, LLC	TX
K. Hovnanian DFW North Creek, LLC	TX
K. Hovnanian DFW Oakmont Park II, LLC	TX
K. Hovnanian DFW Oakmont Park, LLC	TX
K. Hovnanian DFW Palisades, LLC	TX
K. Hovnanian DFW Parkside, LLC	TX
K. Hovnanian DFW Parkview, LLC	TX
K. Hovnanian DFW Reunion, LLC	TX
K. Hovnanian DFW Ridgeview, LLC	TX
K. Hovnanian DFW Sanford Park, LLC	TX
K. Hovnanian DFW Sapphire Bay, LLC	TX
K. Hovnanian DFW Seventeen Lakes, LLC	TX
K. Hovnanian DFW South Pointe, LLC	TX
K. Hovnanian DFW The Parks at Rosehill, LLC	TX
K. Hovnanian DFW Trailwood II, LLC	TX
K. Hovnanian DFW Trailwood, LLC	TX
K. Hovnanian DFW Villas at Mustang Park, LLC	TX
K. Hovnanian DFW Villas at The Station, LLC	TX
K. Hovnanian DFW Watson Creek, LLC	TX
K. Hovnanian DFW Wellington Estates South, LLC	TX
K. Hovnanian DFW Wellington Villas, LLC	TX
K. Hovnanian DFW Wellington, LLC	TX
K. Hovnanian DFW Wildridge, LLC	TX
K. Hovnanian Distribution Services, Inc.	TX
K. Hovnanian Homes - DFW II, L.L.C.	TX
K. Hovnanian Homes - DFW, L.L.C.	TX
K. Hovnanian Houston Balmoral, LLC	TX
K. Hovnanian Houston Bayou Oaks at West Orem, LLC	TX
K. Hovnanian Houston Cambridge Heights, LLC	TX
K. Hovnanian Houston City Heights, LLC	TX
K. Hovnanian Houston Creek Bend, LLC	TX
K. Hovnanian Houston Division, LLC	TX
K. Hovnanian Houston Dry Creek Village, LLC	TX
K. Hovnanian Houston Eldridge Park, LLC	TX
K. Hovnanian Houston Fairchild Farms, LLC	TX
K. Hovnanian Houston Greatwood Lake, LLC	TX
K. Hovnanian Houston Katy Pointe II, LLC	TX
K. Hovnanian Houston Katy Pointe, LLC	TX
K. Hovnanian Houston Kingdom Heights, LLC	TX
K. Hovnanian Houston Lakes of Bella Terra West II, LLC	TX
K. Hovnanian Houston Lakes of Bella Terra West, LLC	TX
K. Hovnanian Houston Laurel Glen, LLC	TX
K. Hovnanian Houston Magnolia Creek, LLC	TX
K. Hovnanian Houston Marvida, LLC	TX
K. Hovnanian Houston Midtown Park I, LLC	TX
K. Hovnanian Houston Park Lakes East, LLC	TX

K. Hovnanian Houston Parkway Trails, LLC	TX
K. Hovnanian Houston River Farms, LLC	TX
K. Hovnanian Houston Sunset Ranch, LLC	TX
K. Hovnanian Houston Terra Del Sol, LLC	TX
K. Hovnanian Houston Thunder Bay Subdivision, LLC	TX
K. Hovnanian Houston Tranquility Lake Estates, LLC	TX
K. Hovnanian Houston Westwood, LLC	TX
K. Hovnanian Houston Willowpoint, LLC	TX
K. Hovnanian Houston Woodshore, LLC	TX
K. Hovnanian of Houston II, L.L.C.	TX
K. Hovnanian of Houston III, L.L.C.	TX
K. Hovnanian Texas Operations, LLC	TX
PARK TITLE COMPANY, LLC	TX
K. Hovnanian DFW Creekside Estates, LLC	TX
Eastern National Title Agency Virginia, Inc.	VA
GTIS-HOV Willowsford Windmill LLC	VA
K. Hovnanian at Alexander Lakes, LLC	VA
K. Hovnanian at Bellewood, LLC	VA
K. Hovnanian at Bensen's Mill Estates, LLC	VA
K. Hovnanian at Canter V, LLC	VA
K. Hovnanian at Dominion Crossing, LLC	VA
K. Hovnanian at East Chase, LLC	VA
K. Hovnanian at Embrey Mill Village, LLC	VA
K. Hovnanian at Embrey Mill, LLC	VA
K. Hovnanian at Estates at Wheatlands, LLC	VA
K. Hovnanian at Estates of Chancellorsville, LLC	VA
K. Hovnanian at Gallery Park at Westfields, LLC	VA
K. Hovnanian at Hampton Run, LLC	VA
K. Hovnanian at Highland Park, LLC	VA
K. Hovnanian at Holly Ridge, LLC	VA
K. Hovnanian at Hunter's Pond, LLC	VA
K. Hovnanian at Jacks Run, LLC	VA
K. Hovnanian at Jackson Village, LLC	VA
K. Hovnanian at Laurel Hills Crossing, LLC	VA
K. Hovnanian at Lenah Woods, LLC	VA
K. Hovnanian at Madison Square, LLC	VA
K. Hovnanian at Melody Farm, LLC	VA
K. Hovnanian at New Post, LLC	VA
K. Hovnanian at Nicholson, LLC	VA
K. Hovnanian at North Hill, LLC	VA
K. Hovnanian at North Ridge, LLC	VA
K. Hovnanian at Old Carolina, LLC	VA
K. Hovnanian at Raymond Farm, LLC	VA
K. Hovnanian at Reserves at Wheatlands, LLC	VA
K. Hovnanian at Residence at Discovery Square, LLC	VA
K. Hovnanian at Rockland Village Green, LLC	VA
K. Hovnanian at Rocky Run Village, LLC	VA
K. Hovnanian at Signal Hill, LLC	VA
K. Hovnanian at Summit Crossing Estates, LLC	VA
K. Hovnanian at Tanager, LLC	VA
K. Hovnanian at The Boulevards at Westfields, LLC	VA
K. Hovnanian at Townes at County Center, LLC	VA
K. Hovnanian at Waxpool Crossing, LLC	VA
K. Hovnanian at Wellsprings, LLC	VA
K. Hovnanian at Willowsford Greens III, LLC	VA
K. Hovnanian Developments of Virginia, Inc.	VA
K. Hovnanian Homes at Burke Junction, LLC	VA
K. Hovnanian Homes at Leigh Mill, LLC	VA
K. Hovnanian Homes at Thompson's Grant, LLC	VA
K. Hovnanian Homes at Willowsford Grange, LLC	VA
K. Hovnanian Homes at Willowsford Grant II, LLC	VA
K. Hovnanian Homes at Willowsford Grant, LLC	VA
K. Hovnanian Homes at Willowsford Greens, LLC	VA
K. Hovnanian Homes at Willowsford New, LLC	VA
K. Hovnanian Mid-Atlantic Division, LLC	VA
K. Hovnanian Summit Holdings, L.L.C.	VA
K. Hovnanian Virginia Operations, Inc.	VA
K. Hovnanian's Four Seasons at Charlottesville II, LLC	VA
K. Hovnanian's Four Seasons at New Kent Vineyards, L.L.C.	VA
K. Hovnanian's Four Seasons at Virginia Crossing, LLC	VA
K. Hovnanian at Dillon Farm, LLC	WV
K. Hovnanian at Huntfield, LLC	WV
K. Hovnanian Developments of West Virginia, Inc.	WV
K. Hovnanian Homes at Liberty Run, LLC	WV
K. Hovnanian Homes at Shenandoah Springs, LLC	WV
K. Hovnanian West Virginia Build on Your Lot Division, LLC	WV



## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated December 19, 2022, relating to the consolidated financial statements of Hovnanian Enterprises, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the year ended October 31, 2022:

1. Registration Statements Nos. 333-113758, 333-106756, and 333-92977 on Form S-8 pertaining to the Amended and Restated 2008 Hovnanian Enterprises, Inc. Stock Incentive Plan (which superseded and replaced the Amended and Restated 1999 Hovnanian Enterprises, Inc. Stock Incentive Plan), and Hovnanian Enterprises, Inc. Senior Executive Short-Term Incentive Plan, as amended and restated;
2. Registration Statement No. 333-56972 on Form S-8 pertaining to the Hovnanian Enterprises, Inc. 1983 Stock Option Plan as amended and restated;
3. Registration Statement No. 333-56640 on Form S-8 pertaining to the Washington Homes Employee Stock Option Plan;
4. Registration Statement No. 333-180668 on Form S-8 pertaining to the 2012 Hovnanian Enterprises, Inc. Stock Incentive Plan;
5. Registration Statement Nos. 333-194542, 333-210218 and 333-230417 on Form S-8 pertaining to the 2012 Hovnanian Enterprises, Inc. Amended and Restated Stock Incentive Plan; and
6. Registration Statement Nos. 333-239045, 333-254853 and 333-265462 on Form S-8 pertaining to the Second Amended and Restated 2020 Hovnanian Enterprises, Inc. Stock Incentive Plan.

/s/Deloitte & Touche LLP

New York, New York

December 19, 2022

**CERTIFICATIONS**  
**Exhibit 31(a)**

I, Ara K. Hovnanian, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended October 31, 2022 of Hovnanian Enterprises, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 19, 2022

/s/ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman, President and Chief Executive Officer

**CERTIFICATIONS**  
**Exhibit 31(b)**

I, J. Larry Sorsby, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended October 31, 2022 of Hovnanian Enterprises, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 19, 2022

/s/J. LARRY SORSBY

J. Larry Sorsby

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-K for the year ended October 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ara K. Hovnanian, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: December 19, 2022

/s/ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman, President and Chief Executive Officer

**Exhibit 32(b)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-K for the year ended October 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Larry Sorsby, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: December 19, 2022

/s/J. LARRY SORSBY

J. Larry Sorsby

Executive Vice President and Chief Financial Officer