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 (FEE REQUIRED)

For the eight months ended OCTOBER 31, 1994

(X)TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from March 1, 1994 to October 31, 1994

Commission file number: 1-8551

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

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

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

908-747-7800
(Registrant's telephone number, including area code)

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

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

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

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

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

As of the close of business on January 13, 1995, there were outstanding 14,814,530 shares of the Registrant's Class A Common Stock and 8,207,198 shares of its Class B Common Stock. The approximate aggregate market value (based upon the closing price on the American Stock Exchange) of these shares held by non-affiliates of the Registrant as of January 13, 1995 was $56,237,000. (The value of a share of Class A Common Stock is used as the value for a share of Class B Common Stock as there is no established market for Class B Common Stock and it is convertible into Class A Common Stock on a share-for-share basis.)

Documents Incorporated by Reference:

Part III - Those portions of registrant's definitive proxy statement to be filed pursuant to Regulation l4A in connection with registrant's annual meeting of shareholders to be held in March 1995 which are responsive to Items l0, ll, l2 and l3.

HOVNANIAN ENTERPRISES, INC.
FORM 10-K
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PART I

ITEMS 1 AND 2 - BUSINESS AND PROPERTIES

The Company primarily designs, constructs and markets multi-family attached condominium apartments and townhouses and single family detached homes in planned residential developments in its Northeast Region (comprised primarily of New Jersey and eastern Pennsylvania), in southeastern Florida, in metro Washington, D. C., in North Carolina, and very recently in southwestern California. The Company markets its homes to first time buyers and to first and second time move-up buyers and concentrates on the moderately priced segment of the housing market. The Company has diversified its business, on a limited scale, through mortgage banking, title insurance activities and the development and ownership of commercial properties, primarily in New Jersey, and, to a lesser extent, in Florida.

The Company employed approximately 1,200 full-time associates as of December 31, 1994. The Company was incorporated in New Jersey in 1967 and was reincorporated in Delaware in 1982.

RESIDENTIAL DEVELOPMENT ACTIVITIES

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

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

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

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

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

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

- Through its presence in multiple geographic markets, the Company's goal is to reduce the effects that housing industry cycles, seasonality and local conditions in any one area may have on its business.

The Company concentrates on a segment of the housing market consisting of moderately priced, multi-family attached condominium apartments and townhouses, which are marketed primarily to first time buyers, as well as moderately priced townhouses with garages and single family detached homes, which are marketed primarily to first and second time move-up buyers. In recent years, the Company has diversified its product mix to include more detached single family homes and larger townhouses with garages designed for the move-up buyer. Current base prices for the Company's homes in contract backlog at October 31, 1994 (exclusive of upgrades and options) range from $39,000 to $610,000 in its Northeast Region, from $105,000 to $197,500 in

Florida, from $80,000 to $338,000 in metro Washington, D. C., from $79,000 to $345,000 in North Carolina, and from $190,000 to $226,000 in California. Closings generally occur and are reflected in revenues from four to twelve months after sales contracts are signed.

Information on homes delivered in the Company's market areas is set forth below:

	Twelve Months Ended October 31, 1994	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	Twelve Months Ended February 28, 1993,	Twelve Months Ended February 29, 1992
	(Housing Revenue in Thousands)				
Northeast Region(1):					
Housing Revenues...	$457,986	$223,582	$389,577	$311,347	$216,274
Homes Delivered....	2,845	1,403	2,527	2,226	1,582
Average Price......	$160,979	$159,360	$154,165	$139,868	$136,709
North Carolina:					
Housing Revenues...	$110,868	$ 78,465	$ 72,639	$ 59,399	$ 45,698
Homes Delivered....	808	558	580	517	420
Average Price......	$137,213	$140,618	$125,239	$114,892	$108,805
Florida:					
Housing Revenues...	$ 58,879	$ 37,076	$ 48,780	$ 19,900	$ 20,512
Homes Delivered....	445	265	405	184	282
Average Price......	$132,312	$139,909	$120,444	$108,152	$ 72,738
Metro Washington D.C.:					
Housing Revenues...	$ 40,738	$ 25,236	$ 44,783	$ 3,327	--
Homes Delivered....	223	137	288	28	--
Average Price......	$183,130	$184,204	$155,497	$118,821	--
California:					
Housing Revenues...	$ 736	$ 736	--	--	--
Homes Delivered....	4	4	--	--	--
Average Price......	$184,000	$184,000	--	--	--
Other:					
Housing Revenues...	$ 1,663	$ 1,227	$ 1,710	$ 3,333	$ 9,271
Homes Delivered....	27	20	28	44	99
Average Price......	$ 61,593	$ 61,350	$ 61,071	$ 75,750	$ 93,646
Combined Total:					
Housing Revenues...	$670,870	$366,322	$557,489	$397,306	$291,755
Homes Delivered....	4,352	2,387	3,828	2,999	2,383
Average Price......	$154,152	$153,465	$145,634	$132,480	$122,432

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

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

	Twelve Months Ended October 31, 1994	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	Twelve Months Ended February 28, 1993	Twelve Months Ended February 29, 1992
	(Housing Revenues in Thousands)				
First Time Buyer Product(1)					
Housing Revenues.........	$ 97,663	$ 47,787	$154,518	$137,613	$121,247
Homes Delivered..........	962	475	1,310	1,226	1,225
Percentage of Housing Revenues................	15%	13%	28%	35%	42%
Move-Up Buyer Product(2)					
Housing Revenues.........	$573,207	$318,535	$402,971	$259,693	$170,508
Homes Delivered..........	3,390	1,912	2,518	1,773	1,158
Percentage of Housing Revenues................	85%	87%	72%	65%	58%

(1) First time buyer product consists of all of the Company's multi-family attached home products other than townhouses with garages.
(2) Move-up buyer product consists of single family detached homes and townhouses with garages. Included in this group are low priced single family detached homes in North Carolina which may be purchased by first time buyers.

Beginning in April 1994 sales contracts began to slow down in all the Company's markets. This slowdown was primarily attributed to increased home mortgage interest rates and increased competition. By October 1994 sales in the Northeast Region, improved partially due to an increase in the number of active selling communities. Metro Washington D. C. and Florida continued to be slow. North Carolina sales returned to prior year levels.

Because of continued weak economic conditions in the southern New Hampshire market, the Company elected to suspend activities in that market in 1990. The Company decided to liquidate all existing homes by deep discount and auction sales. At October 31, 1994, 31 homes remain in southern New Hampshire of which 6 are under contract of sale. The Company plans to liquidate the remaining 25 homes through a bulk sale. The Company has written these homes down to net realizable value.

In anticipation of future losses resulting from the sale of certain inventory primarily in New Hampshire, New York, and Pennsylvania, the Company established reserves during the current eight months to reduce the book value of such inventory to their estimated net realizable value. The book value of all residential real estate inventory has been adjusted to reflect estimated net realizable value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Homebuilding."

As of October 31, 1994, the following table summarizes the Company's active communities under development:

	Communities	Approved Lots	Homes Closed	(1) Contracted Not Closed	(2) Remaining Home Sites Available
Northeast Region......	44	10,017	3,263	1,286	5,468
North Carolina........	32	3,126	975	231	1,920
Florida...............	14	2,367	812	214	1,341
Metro Washington D.C..	11	1,057	248	42	767
California............	5	466	4	21	441
Total	106	17,033	5,302	1,794	9,937

(1) Includes 88 lots under option.

(2) Of the total home sites available, 612 were under construction or completed (including 99 models and sales offices) and 2,554 were under option.

In addition, in substantially completed or suspended developments, the Company had 34 homes under construction or completed including 13 homes which are in contract. The Company also owned 296 lots without construction (two in contract) and has 299 lots under option (one in contract) in these substantially completed or suspended developments.

BACKLOG

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

At October 31, 1994 and February 28, 1994, the Company had a backlog of signed contracts for 1,810 homes and 1,926 homes, respectively, with sales values aggregating $310,455,000 and $278,127,000, respectively. New sales contracts for the eight months ended October 31, 1994 decreased to $369,137,000 from $429,745,000 for the same period last year. Substantially all of the Company's backlog at October 31, 1994 is expected to be completed and closed within the next twelve months. At December 31, 1994 and 1993, the Company's backlog of signed contracts was 1,868 homes and 2,502 homes, respectively, with sales values aggregating $323,925,000 and $367,781,000, respectively.

RESIDENTIAL LAND INVENTORY

It is the Company's objective to control a supply of land, primarily through options, consistent with anticipated homebuilding requirements in its housing markets. Controlled land as of October 31, 1994, exclusive of communities under development described under "Business and Properties -- Residential Development Activities," is summarized in the following table:

	Number of Proposed Communities	Proposed Developable Lots	Total Land Option Price	Book Value(1)(2)
			(In Thousands)	
Northeast Region:				
Under Option.......	43	10,049	$190,203	$21,472
Owned..............	5	891		21,853
Total...........	48	10,940		43,325
North Carolina:				
Under Option.......	3	223	$ 7,697	144
Florida:				
Owned..............	3	992		2,663
Metro Washington, D.C.:				
Under Option........	4	493	$14,830	450
California:				
Under Option........	1	48	$ 1,056	221
Totals:				
Under Option........	51	10,813		22,287
Owned...............	8	1,883		24,516

Combined Total........	59	12,696	$46,803

(1) Properties under option also includes costs incurred on properties not under option but which are under investigation. For properties under option, the Company paid, as of October 31, 1994, option fees and deposits aggregating approximately $7,557,000. As of October 31, 1994, the Company spent an additional $14,730,000 in non-recoverable predevelopment costs on such properties.

(2) The book value of $46,803,000, plus the land parcel described below of $10,133,000, and other land inventory costs of $643,000, totals $57,579,000 which is identified on the balance sheet as "Inventories - land, land options, and cost of projects in planning."

In its Northeast Region, the Company's objective is to control a supply of land sufficient to meet anticipated building requirements for at least three to four years. At October 31, 1994, the Company had one additional land parcel under option in its Northeast Region with total fees, deposits and non-recoverable predevelopment costs amounting to $10,133,000. Since this land is more appropriate for the development of expensive homes, the Company is currently attempting to sell these lots to other developers and individuals. In the future, some of these lots may be developed by the Company.

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

In Florida, the Company is focusing its development efforts primarily in the southeast. Emphasis is principally on building single family detached homes. The Company satisfies its land requirements primarily through a takedown program of developed lots in existing subdivisions. As a result of its decision to concentrate in the southeast, the Company is attempting to sell all its land in other locations, including the parcels of owned land included in the table on the previous page.

In California, the Company has focused its development efforts in the southwest region. Here the emphasis is on affordable housing and will consist of single family attached and detached homes. Where possible the Company plans to option developed lots with twenty or fewer homes to be taken down at one time. With a dwindling supply in California of developed lots, some land parcels will be optioned which will require development activities. Such option fees could range up to 10% of the land value.

In addition to the reserves discussed above under "Residential Development Activities," the Company has established reserves to reduce the book value of certain undeveloped land in Florida to its estimated net realizable value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Housing Operations."

CUSTOMER FINANCING

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

KHM's business consists of providing the Company's customers with competitive financing and coordinating and expediting the loan origination transaction through the steps of loan application, loan approval and closing. KHM has its headquarters in Eatontown, New Jersey and operates branch offices in Raleigh, North Carolina; Fairfax, Virginia; and West Palm Beach, Florida. Additionally, KHM originates loans in Pennsylvania.

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

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

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

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

RENTAL PROPERTY DEVELOPMENT ACTIVITIES AND LAND INVENTORY

The Company diversified its business, on a limited scale, through the development, acquisition and ownership of commercial properties, primarily in central New Jersey, and, to a lesser extent, in Florida. The Company has concentrated primarily on the construction of single-story office/warehouses and retail strip centers. The Company's objectives are to create recurring revenues from the rental and/or sale of its developed properties and to achieve appreciation in the value of its properties over the long-term. The Company expects to limit its future commercial development activities.

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

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

Location	October 31, 1994 Square Feet Total	Leased	Percent Leased	October 31, 1994 Book Value
North Brunswick, NJ:				
Retail center.............	53,042	51,542	97%	$ 4,741,000
Office/warehouse building.	86,155	75,581	88%	6,511,000
Office/warehouse building.	84,811	66,826	79%	7,204,000
Piscataway Township, NJ:				
Retail center.............	97,520	97,520	100%	10,734,000
Allaire, NJ:				
Retail Center.............	116,196	102,424	88%	8,053,000
Franklin Township, NJ:				
Retail Center.............	138,364	138,364	100%	(1)
West Palm Beach, FL:				
Office Building...........	43,290	39,294	91%	4,445,000
Jacksonville, FL - Phase I:				
Office/warehouse building.	42,456	36,158	85%	3,154,000
Office building...........	35,689	26,939	75%	2,666,000
Total..................	697,523	634,648	91%	$47,508,000

(1) Property is held in a partnership 50% owned by the Company. The Company's investment in this partnership of $3,994,000 is included in the balance sheet under "Investment In and Advances To Unconsolidated Affiliates and Joint Ventures."

(2) Includes 13,538 square feet leased to the Company's Florida Division.

The Company had one residential rental property at October 31, 1994 consisting of a low income senior citizen community. This community consists of 96 condominium apartments and is fully leased. By building these homes the Company expects to qualify for federal tax credits amounting to approximately $6,000,000 over the next ten years. At October 31, 1994, the net book value of this community was $6,187,000.

The Company has the ability to obtain long-term financing on its commercial properties after each property is substantially leased. At October 31, 1994, the North Brunswick, NJ retail center and Piscataway, NJ retail center had non-recourse financing amounting to $5,924,000 and $11,617,000, respectively.

At October 31, 1994, the Company owned two additional parcels of commercial land in New Jersey. The Company is currently seeking opportunities to develop and lease, or convert these parcels into residential usage. To further enhance the marketability of one of these parcels, the Company is seeking to have a portion of the parcel rezoned for residential use. On the second parcel in Newark, NJ adjacent to its University Heights residential development, the Company is currently planning a 112,000 square foot retail center. Construction will not begin until an anchor tenant is secured. The Company has secured a federal government urban development grant amounting to $3,928,000 to partially defray the cost of developing the facility. At October 31, 1994 the Company had spent $1,341,000 in site preparation costs. At completion the total cost, net of the grant, is estimated to be $9,500,000.

In addition, the Company owns one parcel of commercial land in Jacksonville, Florida. On a portion of this parcel the Company has constructed 78,145 square feet of office/warehouse and office buildings. The Company will build additional buildings on this parcel after existing space is leased. The book value of the remaining land at October 31, 1994 amounted to $3,505,000.

CERTAIN OPERATING POLICIES AND PROCEDURES

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

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

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

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

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

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

Marketing and Sales. The Company's residential communities are sold principally through on-site sales offices. In order to respond to its customers' needs and trends in housing design, the Company relies upon its internal market research group to analyze information gathered from, among other sources, buyer profiles, exit interviews at model sites, focus groups and demographic data bases. The Company makes use of newspaper, radio, magazine, billboard, video and direct mail advertising, special promotional events, illustrated brochures, full-sized and scale model homes in its comprehensive marketing program. For the eight months ended October 31, 1994, the Company's advertising expenditures totaled $6,368,000.

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

Customer Financing. The Company sells its homes to customers who generally finance their purchases through mortgages. During the eight months ended October 31, 1994, approximately 29% of the Company's customers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiary, with a substantial portion of the Company's remaining customers obtaining mortgages from various independent lending institutions. Mortgages originated by the Company's wholly-owned mortgage banking subsidiary are sold in the secondary market.

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

COMPETITION

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

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

REGULATION AND ENVIRONMENTAL MATTERS

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

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

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

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

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

State Planning Act. Pursuant to the 1985 State Planning Act, the New Jersey State Planning Commission has adopted a State Development and Redevelopment Plan ("State Plan"). The State Plan, if fully implemented, would designate large portions of the state as unavailable for development or as available for development only at low densities, and other portions of the state for more intense development. State government agencies would be required to make permitting decisions in accordance with the State Plan, if it is fully implemented. The state government agencies have not yet adopted policies and regulations to fully implement the State Plan.

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

Company Offices. The Company owns its corporate headquarters, a four-story, 24,000 square feet office building located in Red Bank, New Jersey, a 43,290 square feet office building located in West Palm Beach, Florida of which 13,538 square feet house the Florida divisional office, a 17,450 square feet office building located in Winston Salem, North Carolina, and 17,225 square feet in a Middletown, New Jersey condominium office building which houses two subsidiary operations. The Company leases office space consisting of 51,000 square feet in various New Jersey locations, 8,000 square feet in Trevose, Pennsylvania, 12,000 square feet in Fairfax, Virginia, 13,000 square feet in various North Carolina locations, 3,400 square feet in Broward County, Florida, and 16,000 square feet in southwestern California.

ITEM 3 - LEGAL PROCEEDINGS

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

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

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

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

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

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

During the two months ended October 31, 1994 (the period since the latest quarterly report on Form 10Q of the Company was filed), no matters were submitted to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

PART II

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

The number of shares and all data presented on a per share basis in this Form 10-K have been adjusted to give effect to all stock splits. The Company's Class A Common Stock is traded on the American Stock Exchange and was held by approximately 1,200 shareholders of record at January 13, 1995. Prior to the Company's recapitalization in September 1992 the Company's Common Stock was also traded on the American Stock Exchange. (See "Notes to Consolidated Financial Statements - Note 13" for additional explanation on recapitalization.) There is no established public trading market for the Company's Class B Common Stock, which was held by approximately 1,000 shareholders of record at January 13, 1995. The high and low sales prices for the Company's Class A Common Stock were as follows for each fiscal quarter during the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993:

	Class A Common Stock						Common Stock	
	Oct 31, 1994		Feb 28, 1994		Feb 28, 1993		Feb 28, 1993	
Quarter	High	Low	High	Low	High	Low	High	Low
First.....	$13.88	$9.88	$12.38	$10.50	--	--	$14.25	$ 9.25
Second....	$11.38	$7.75	$14.13	$10.63	--	--	$12.38	$ 8.13
Third(1)..	$ 8.63	$5.75	$18.13	$13.25	$11.25	$ 8.50	$10.75	$ 9.13
Fourth....	--	--	$16.00	$13.00	$13.13	$10.63	--	--

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

Certain debt instruments to which the Company is a party contain restrictions on the payment of cash dividends. As a result of the most restrictive of these provisions, approximately $28,661,000 was free of such restrictions at October 31, 1994. The Company has never paid dividends nor does it currently intend to pay dividends.

ITEM 6 - SELECTED CONSOLIDATED FINANCIAL DATA

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

Summary Consolidated Income Statement Data	Twelve Months Ended October 31, 1994	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	Twelve Months Ended February 28, 1993	Twelve Months Ended February 29, 1992	Twelve Months Ended February 28, 1991	Twelve Months Ended February 28, 1990
	(Unaudited)	(In Thousands Except Per Share Data)					
Revenues................	$704,443	$386,585	$587,010	$429,315	$318,527	$275,428	$410,409
Expenses................	687,912	402,090	557,859	414,790	316,633	296,610	371,193
Income (loss) before income taxes, extraordinary loss and cumulative effect of change in accounting for income taxes......	16,531	(15,505)	29,151	14,525	1,894	(21,182)	39,216
State and Federal income taxes.................	5,054	(5,075)	9,229	4,735	299	(5,937)	17,428
Extraordinary loss......	--	--	(1,277)	--	--	--	--
Cumulative effect of change in accounting for income taxes......	--	--	--	--	883	--	--
Net income (loss).......	$ 11,477	$(10,430)	$ 18,645	$ 9,790	$ 2,478	$(15,245)	$ 21,788
Earnings per common share:							
Income (loss) before extraordinary loss and cumulative effect of change in accounting for income taxes........	$ .50	$ (.46)	$ .87	$ .43	$ .07	$ (.74)	$ 1.05
Extraordinary loss....	--	--	(.05)	--	--	--	--
Cumulative effect of change in accounting for income taxes	--	--	--	--	.04	--	--
Net income (loss).....	$ .50	$ (.46)	$ .82	$ .43	$ .11	$ (.74)	$ 1.05
Weighted average number of common shares outstanding...........	22,906	22,906	22,821	22,775	21,988	20,695	20,834

Summary Consolidated Balance Sheet Data	October 31, 1994	February 28, 1994	February 28, 1993	February 29, 1992	February 28, 1991	February 28, 1990
			(In Thousands)			
Total assets............	$612,925	$539,602	$465,029	$399,455	$437,930	$457,567
Mortgages, and notes payable...............	$167,179	$ 68,244	$ 66,699	$105,071	$158,836	$121,420
Bonds collateralized by mortgages receivable..	$ 20,815	$ 30,343	$ 39,914	$ 49,879	$ 55,456	$ 60,677
Participating senior subordinated debentures and subordinated notes.................	$200,000	$200,000	$152,157	$ 67,723	$ 71,559	$ 81,794
Stockholders' equity....	$162,130	$171,001	$151,937	$141,989	$125,421	$140,666

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

CAPITAL RESOURCES AND LIQUIDITY

The Company's cash uses during the eight months ended October 31,1994 were for operating expenses, seasonal increases in housing inventories, construction of commercial facilities, income taxes and interest. The Company provided for its cash requirements from outside borrowings, the revolving credit facility, and land purchase notes, as well as from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") which provides a revolving credit line of up to $225,000,000 through March 1997. Interest is payable monthly and at various rates of either prime plus 1/2% or Libor plus 2%. The Company believes that it will be able either to extend the Agreement beyond March 1997 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of October 31, 1994, $99,200,000 of indebtedness was outstanding under the Agreement.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of October 31, 1994 was $200,000,000. Annual sinking fund payments of $20,000,000 are required in April 2001 and 2002 with additional payments of $60,000,000 and $100,000,000 due in April 2002 and June 2005.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of October 31, 1994, the aggregate outstanding principal amount of such borrowings was $41,369,000.

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

	October 31, 1994	February 28, 1994
Residential real estate inventory.......	$386,540,000	$278,738,000
Residential rental property............	8,158,000	8,411,000
Total residential real estate.......	394,698,000	287,149,000
Commercial properties..................	63,321,000	68,240,000
Combined Total.....................	$458,019,000	$355,389,000

Total residential real estate increased $107,549,000 from February 28, 1994 to October 31, 1994 as a result of an inventory increase of $107,802,000 and a residential rental property decrease of $253,000. The increase in residential real estate inventory was primarily due to the Company's increase in construction activities for increased deliveries next year, expansion within its existing markets, and expansion into the California market. Residential homes under construction or completed and included in residential real estate inventory at October 31, 1994 are expected to be closed during the next twelve months. The Company's residential rental property decreased during the eight months ended October 31, 1994 due to the Company's continued liquidation of New Hampshire rentals.

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

	Total Home Lots	Contracted Not Closed	Remaining Lots Available
October 31, 1994:			
Owned..........................	11,302	1,721	9,581
Optioned.......................	13,754	89	13,665
Total	25,056	1,810	23,246
February 28, 1994:			
Owned..........................	8,255	1,643	6,612
Optioned.......................	12,898	283	12,615
Total	21,153	1,926	19,227

The Company's commercial properties represent long-term investments in commercial and retail facilities completed or under development (see "Investment Properties" under "Results of Operations"). When individual facilities are completed and substantially leased, the Company will have the ability to obtain long-term financing on such properties. At October 31, 1994 the Company had long-term non-recourse financing aggregating $17,541,000 on two commercial facilities, a decrease of $934,000 from February 28, 1994, due to principal amortization and the payoff of one loan.

RESULTS OF OPERATIONS - GENERAL

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

On May 10, 1994, the Board of Directors of the Company adopted a resolution providing that the date for the year end of the fiscal year of the Company be changed from the last day of February to October 31. The reports covering the three month periods ended May 31, 1994 and August 31, 1994 were filed on Form 10-Q. The report covering the eight month transition period of

March 1, 1994 through October 31, 1994 is included in this Form 10-K. Thereafter, the Company will file reports as of January 31, April 30, July 31, and October 31. The Company has included unaudited comparative statements of income for the years ended October 31, 1994 and 1993 as part of its financial statements. In addition, included in "Notes to Consolidated Financial Statements - Note 2", the Company has presented unaudited income statement data for the eight months ended October 31, 1993. To adequately address the Results of Operations, the Company has split the discussion into two sections: one covering the unaudited years ended October 31, 1994 and 1993 and one covering the eight month transition period ended October 31, 1994 and the years ended February 28(29), 1994, 1993, and 1992.

During the years ended February 28(29), 1994, 1993, and 1992, the Company's Northeast Region, North Carolina Division and metro Washington D. C. Division produced operating profits. These profits have been reduced by net losses from its other operations and the establishment of reserves to reduce the book value of certain residential inventories to their estimated net realizable value. During the eight month periods ended October 31, 1994 and 1993 the Company's operations have resulted in net losses. For the eight months ended October 31, 1994 the loss primarily resulted from a provision to reduce certain inventory to net realizable value, lower gross margins, and higher selling, general, and administrative expenses due to the expensing of such costs over fewer average monthly home deliveries during the eight month transition period ended October 31, 1994 compared to the average monthly home deliveries over twelve months. On an October 31 twelve month basis, the above comments as of February 28 would apply.

RESULTS OF OPERATIONS - Twelve Months Ended October 31, 1994 and 1993

The Company has presented unaudited statements of income for the twelve months ended October 31, 1994 and 1993. Below is management's discussion and analysis of the results of operations for these comparative years.

Total Revenues

Compared to the year ended October 31, 1993, total revenues for the year ended October 31, 1994 increased $208.6 million, or 42.1%, due to a $201.5 million housing revenue increase, a $3.3 million increase in land sales and other homebuilding revenues, a $3.0 million increase in investment properties revenues, a $1.7 million increase in financial services revenues, and a $0.9 million decrease in collateralized mortgage financing revenues.

Homebuilding

Housing revenues for the year ended October 31, 1994 increased $201.5 million, or 42.9%, compared to the year ended October 31, 1993. Housing revenues are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Twelve Months Ended	
	October 31, 1994	October 31, 1993
	(Dollars in Thousands)	
Northeast Region(1):		
Housing Revenues...................	$457,986	$334,424
Homes Delivered....................	2,845	2,358
North Carolina:		
Housing Revenues...................	$110,868	$ 63,183
Homes Delivered....................	808	528
Florida:		
Housing Revenues...................	$ 58,879	$ 37,201
Homes Delivered....................	445	314
Metro Washington, D. C.:		
Housing Revenues...................	$ 40,738	$ 32,608
Homes Delivered....................	223	230
California:		
Housing Revenues....................	$ 736	--
Homes Delivered.....................	4	--
Other:		
Housing Revenues....................	$ 1,663	$ 1,993
Homes Delivered.....................	27	31
Totals:		
Housing Revenues....................	$670,870	$469,409
Homes Delivered.....................	4,352	3,461

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

The increase in housing revenues was the result of increases in home deliveries and average sales prices. Increased deliveries are primarily the result of opening up more communities for sale during this period. The increased average sales prices are primarily the result of diversifying the Company's product mix in the Northeast Region to include more detached single family homes and larger townhouses with garages designed for the move-up buyer. Also, average sales prices have increased in Florida because substantially all of its new communities offer detached single family homes.

At October 31, 1994 and 1993 the Company had a backlog of signed contracts for 1,810 and 2,622 homes with sales values aggregating $310,455,000 and $387,570,000, respectively. Except for California, all of the Company's markets reported backlog decreases of between 29% and 42% from October 31, 1993 to October 31, 1994 primarily due to decreases in sales resulting from higher homebuyer mortgage interest rates and increased competition.

The Company has established reserves to reduce certain residential inventories to their estimated net realizable values including costs to carry and dispose. These reserves were established primarily because of lower property values due to economic downturns or a change in the marketing strategy to liquidate a particular property. The established reserves are reduced for carrying costs (i.e., property taxes, interest, etc.) incurred and upon property sale. During the year ended October 31, 1994, the Company established additional reserves of $6.4 million. The reserves established during the year ended Occtober 31, 1994 are primarily attributable to three communities, one each in New York, New Hampshire, and Pennsylvania. In New York, the reserve is an addition to prior years' reserves due to reduced sales prices, buyers' concessions, and an extended sellout period. In New Hampshire, the reserve is also an addition to prior years' reserves due to reduced sales prices in anticipation of a bulk sale of the remaining homes. In Pennsylvania, the reserve is due to reduced sales prices and an extended sellout period. (See "Notes to Consolidated Financial Statements - Note 11" for an additional explanation of reserves.)

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

	Twelve Months Ended	
	October 31, 1994	October 31, 1993
Sale of Homes.........................	$670,870	$469,409
Cost of Sales.........................	531,757	362,436
Housing Gross Margin..................	$139,113	$106,973
Gross Margin Percentage...............	20.7%	22.8%

During the year ended October 31, 1994 the Company incurred $3.0 million for warranty repair work primarily to remedy a Northeast Region roof design problem. Excluding this item the gross margin for October 31, 1994 is 21.2%. The remaining decrease in the gross margin was primarily due to the following reasons:

- Material costs have increased during the above periods as demand increased for such materials.
- A change in product mix with an additional 4.0% of home sales coming from North Carolina and Florida where gross margins are traditionally lower.
- Increase in such costs as a percentage of North Carolina and Florida housing revenues. The North Carolina market is very competitive which keeps prices and margins down. In Florida, the increase is caused by higher developed lot costs.

Selling and general administrative expenses increased $15.9 million during the year ended October 31, 1994 compared to the prior year. As a percentage of housing revenues such expenses decreased to 11.4% for October 31, 1994 from 12.5% for the prior year. The dollar increase is due primarily to increased home sales and delivery activities and a 34% increase in homebuilding associates from October 31, 1993 to October 31, 1994 due to anticipated growth in the near future. The percentage decrease is due to the increased home delivery volume.

Land Sales and Other Revenues

Land sales and other revenues consist primarily of land and lot sales, title insurance activities, interest income, contract deposit forfeitures, and during the eight months ended October 31, 1994, California housing management operations.

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

	Twelve Months Ended	
	October 31, 1994	October 31, 1993
Land and Lot Sales....................	$ 5,079	$ 3,821
Cost of Sales.........................	4,123	3,187
Land and Lot Sales Gross Margin.......	$ 956	$ 634

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

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

Financial Services

Financial services consists primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market. Approximatley 30% and 20% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the years ended October 31, 1994 and 1993, respectively. For the year ended October 31, 1994 a loss was incurred primarily due to expansion costs into other Company housing markets and reduced interest rate spreads, due to increased competition. Most servicing rights on new mortgages originated by the Company will be sold as the loans are closed.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from sale of such property. At October 31, 1994, the Company owned and was leasing two office buildings, three office/warehouse facilities, three retail centers, and a senior citizen rental community in New Jersey. Investment properties revenues have increased due to the completion and leasing of additional commercial properties, the acquisition of a retail center in May 1993, and the addition of the senior rentals in the early part of the year ended October 31, 1994. During the years ended October 31, 1994 and 1993 such expenses included a $0.8 million loss from the sale of a mini-storage facility and an office/warehouse facility and a $0.5 million gain from the sale of a retail center, respectively.

Collateralized Mortgage Financing

In the years prior to February 29, 1988 the Company pledged mortgage loans originated by its mortgage banking subsidiaries against collateralized mortgage obligations ("CMO's"). Subsequently the Company discontinued its CMO program. As a result, CMO operations are diminishing as pledged loans are decreasing through principal amortization and loan payoffs, and related bonds are reduced. In recent years, the Company has sold CMO pledged mortgages. The cost of such sales and the writeoff of unamortized issuance expenses has resulted in losses.

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. As a percentage of total revenues such expenses were 1.9% and 1.9% for the years ended October 31, 1994 and 1993, respectively. Such expenses includes the Company's long term improvement initiatives of total quality, process redesign, and training. Such initiatives resulted in additional expenses for the year ended October 31, 1994 over 1993 amounting to $1.5 million. Without this increase corporate expenses would have decreased .02% for the year ended October 31, 1994, compared to the previous year.

Interest

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

	Twelve Months Ended	
	October 31, 1994	October 31, 1993
Sale of Homes	$ 19,559	$ 15,650
Land and Lot Sales	837	794
Rental Properties	4,963	5,141
Total	$ 25,359	$ 21,585

Housing interest as a percentage of housing revenues amounted to 3.0% and 3.3% for the years ended October 31, 1994 and 1993, respectively. The decline of interest as a percentage of housing revenues is primarily attributable to reinvestment of Company profits and better inventory management.

Other Operations

Other operations consisted primarily of title insurance activities, miscellaneous residential housing operations expenses, amortization of prepaid subordinated note issuance expenses, corporate owned life insurance loan interest, and California housing management operations (see "Land Sales and Other Revenues" above). During the year ended October 31, 1994 other expenses included California homebuilding management expenses and amortization of purchased management contracts amounting to $2.5 million, the writeoff of a $1.0 million receivable resulting from the reversal of a legal judgment, and $0.4 million loss from the sale of a 49% interest in a condominium management company.

Total Taxes

Total taxes as a percentage of income before income taxes amounted to 30.6% and 34.1% for the years ended October 31, 1994 and 1993, respectively. Deferred federal and state income tax assets primarily represents the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years. (See "Notes to Consolidated Financial Statements - Note 10" for an additional explanation of taxes.)

Extraordinary Loss

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

RESULTS OF OPERATIONS - Eight Months Ended October 31, 1994 and Twelve Months Ended February 28(29), 1994, 1993, and 1992

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

Total Revenues

Compared to the same prior period revenues changed as follows:

	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	Twelve Months Ended February 28, 1993
Homebuilding:			
Sale of homes....................	$113,381	$160,183	$105,551
Land sales and other revenues....	2,454	(6,231)	6,914
Financial Services.................	819	2,203	367
Investment Properties..............	1,054	2,415	(822)
Collateralized Mortgage Financing..	(519)	(875)	(1,222)
Total Change..................	$117,189	$157,695	$110,788

Homebuilding

Compared to the same prior period, housing revenues increased $113.4 million or 44.8% for the eight months ended October 31, 1994, and $160.2 million or 40.3%, and $105.6 million or 36.2%, for the year ended February 28, 1994 and 1993, respectively. Housing revenues are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	Twelve Months Ended February 28, 1993	Twelve Months Ended February 29, 1992
	(Dollars in Thousands)			
Northeast Region(1):				
Housing Revenues......	$223,582	$389,577	$311,347	$216,274
Homes Delivered.......	1,403	2,527	2,226	1,582
North Carolina:				
Housing Revenues......	$ 78,465	$ 72,639	$ 59,399	$ 45,698
Homes Delivered.......	558	580	517	420
Florida:				
Housing Revenues......	$ 37,076	$ 48,780	$ 19,900	$ 20,512
Homes Delivered.......	265	405	184	282
Metro Washington, D. C.:				
Housing Revenues......	$ 25,236	$ 44,783	$ 3,327	--
Homes Delivered.......	137	288	28	--
California:				
Housing Revenues......	$ 736	--	--	--
Homes Delivered.......	4	--	--	--
Other:				
Housing Revenues......	$ 1,227	$ 1,710	$ 3,333	$ 9,271
Homes Delivered.......	20	28	44	99
Totals:				
Housing Revenues......	$366,322	$557,489	$397,306	$291,755
Homes Delivered......	2,387	3,828	2,999	2,383

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

The increase in housing revenue was the result of an increase in home deliveries and average sales prices. Increased deliveries are primarily the result of opening up more communities for sale during this period and expanding into eastern Pennsylvania and metro Washington, D. C. The increased average sales prices are primarily the result of diversifying the Company's product mix in the Northeast Region to include more detached single family homes and larger townhouses with garages designed for the move-up buyer. Also, average sales prices have increased in Florida because substantially all its new communities offer detached single family homes.

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

	October 31, 1994	February 28, 1994	February 28, 1993
	(Dollars in Thousands)		
Northeast Region:			
Total Contract Backlog..........	$227,719	$173,430	$130,095
Number of Homes.................	1,284	1,182	885
North Carolina:			
Total Contract Backlog..........	$ 39,719	$ 55,620	$ 26,630
Number of Homes.................	240	402	221
Florida:			
Total Contract Backlog..........	$ 30,283	$ 37,837	$ 28,461
Number of Homes.................	215	278	234
Metro Washington, D. C.:			
Total Contract Backlog..........	$ 7,933	$ 10,377	$ 14,088
Number of Homes.................	43	50	101
California:			
Total Contract Backlog..........	$ 4,405	--	--
Number of Homes.................	21	--	--
Other:			
Total Contract Backlog..........	$ 396	$ 863	$ 477
Number of Homes.................	7	14	8
Totals:			
Total Contract Backlog..........	$310,455	$278,127	$199,751
Number of Homes.................	1,810	1,926	1,449

The Company has established reserves to reduce certain residential inventories to their estimated net realizable values including costs to carry and dispose. These reserves were established primarily because of lower property values due to economic downturns or a change in the marketing strategy to liquidate a particular property. The established reserves are reduced for carrying costs (i.e., property taxes, interest, etc.) incurred or losses incurred upon property sale. During the eight months ended October 31, 1994 and the year ended February 28, 1993, the Company established additional reserves of $6.4 million and $3.1 million, respectively. The October 31, 1994 reserve is primarily attributable to the same reasons noted in the previous homebuilding section. The February 28, 1993 reserve was substantially attributable to two Florida developments where sales prices were reduced to accelerate their sellout. At October 31, 1994 and February 28, 1994, remaining reserves of $10.7 million and $9.6 million, respectively, reduced residential inventories. (See "Notes to Consolidated Financial Statements - Note 1" for an additional explanation of reserves.)

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

	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	February 28, 1993	February 29, 1992
	(Dollars in Thousands)			
Sale of Homes....................	$366,322	$557,489	$397,306	$291,755
Cost of Sales....................	296,308	434,653	306,707	230,235
Housing Gross Margin.............	$ 70,014	$122,836	$ 90,599	$ 61,520
Gross Margin Percentage..........	19.1%	22.0%	22.8%	21.1%

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

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

Selling, general and administrative expenses increased $9.5 million during the eight months ended October 31, 1994 and $16.9 million and $10.4 million during the years ended February 28, 1994 and 1993, respectively, compared to the similar prior period. The increase during the eight months ended October 31, 1994 is due primarily to increased home sales and delivery activities. As a percentage of housing revenues, such expenses decreased to 13.9% for the eight months ended October 31, 1994 from 15.6% for the similar prior period. The increase for the years ended February 28, 1994 and 1993 was primarily due to increased selling expenses resulting from increased new sales contracts, home deliveries and the opening of the metro Washington, D.C. division. As a percentage of housing revenues, such expenses decreased to 11.5% for the year ended February 28, 1994 from 11.9% for the year ended February 28, 1993, and from 12.7% for the year ended February 29, 1992. The eight months ended October 28, 1994 increase as a percentage of housing revenues from the year ended February 28, 1994 is primarily attributable to a 34% increase in homebuilding associates due to anticipated growth in the near future and the expensing of such costs over fewer average monthly home deliveries during the eight month transition period ended October 31, 1994 compared to the average monthly home deliveries over twelve months.

Land Sales and Other Revenues

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

	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993	Year Ended February 29, 1992
	(Dollars in Thousands)			
Land and Lot Sales	$ 2,812	$ 4,188	$ 10,946	$ 3,220
Cost of Sales	2,643	3,158	8,564	2,243
Land and Lot Sales Gross Margin	$ 169	$ 1,030	$ 2,382	$ 977

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

Financial Services

Comments noted in the previous financial services section also apply here. Approximately 29%, 27%, 26%, and 32% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the eight months ended October 31, 1994 and the years ended February 28(29), 1994, 1993, and 1992, respectively

Investment Properties

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

Collateralized Mortgage Financing

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

Corporate General and Administration

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. As a percentage of total revenues such expenses were 2.6% and 2.5% for the eight months ended October 31, 1994 and 1993, respectively, and 1.8%, 1.9%, and 2.0% for the years ended February 28(29), 1994, 1993, and 1992, respectively. The increase for the eight months ended October 31, 1994 over 1993 was due primarily to the Company's long term improvement initiatives of total quality, process redesign, and training. Such initiatives resulted in additional expenses for the eight months ended October 1994 over 1993 amounting to $1.3 million. For the twelve months ended February 28(29), 1994, 1993, and 1992 such expenses as a percentage of revenues decreased due to increased revenues.

Interest

Interest expense includes housing, land and lot, and rental properties interest (see "Notes to Consolidated Financial Statements - Note 7" for a breakdown). Housing interest as a percentage of housing revenues amounted to 3.1% and 3.5% for the eight months ended October 31, 1994 and 1993, respectively, and 3.1%, 3.9%, and 5.3% for the years ended February 28(29), 1994, 1993, and 1992, respectively. The decline of interest as a percentage of housing revenues is primarily attributable to increased inventory turnover, reduced average interest rates, and reinvestment of Company profits.

Other Operations

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

Total Taxes

Total net tax benefits as a percentage of the loss before income taxes amounted to 32.7% and 29.3% for the eight months ended October 31, 1994 and 1993, respectively. Total taxes as a percentage of income before income taxes amounted to 31.7%, 32.5%, and 15.8% for the years ended February 28(29), 1994, 1993, and 1992, respectively. The Company applied for and received a refund of federal income taxes for the year ended February 29, 1992 based on a loss carryback amounting to approximately $1.6 million. Comments on income taxes in the previous total taxes section also apply here.

Cummulative Effect of Change in Accounting for Income Taxes

The Company elected to adopt early application of Statement of Financial Accounting Standards No 109 - "Accounting for Income Taxes" ("FAS 109"). Among other things, FAS 109 changes the method of recognizing deferred tax assets. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for carryforwards. A valuation allowance is recognized if it is more likely than not that some portion of the deferred asset will not be recognized. The effect of initially applying FAS 109 in the year ended February 29, 1992, resulted in recording additional deferred tax assets and increasing net income by $0.9 million.

INFLATION

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

Inflation has a lesser short-term effect on the Company because the Company generally negotiates fixed price contracts with its subcontractors and material suppliers for the construction of its homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between four to twelve months. Construction costs for residential buildings represent approximately 51% of the Company's total costs and expenses.

Item 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

During the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993 there have not been any changes in or disagreements with accountants on accounting and financial disclosure.

PART III

Item 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item l0, except as set forth below under the heading "Executive Officers of the Registrant", is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held in March 1995, which will involve the election of directors.

Executive Officers of the Registrant

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

Name	Age	Position	Year Started With Company
Kevork S. Hovnanian	71	Chairman of the Board, Chief Executive Officer, and Director of the Company.	l967
Ara K. Hovnanian	37	President and Director of the Company.	l979
Paul W. Buchanan	44	Senior Vice President-Corporate Controller and Director of the Company.	l981
Timothy P. Mason	54	Senior Vice President-Administration/Secretary and Director of the Company.	1975
Peter S. Reinhart	44	Senior Vice President and General Counsel and Director of the Company.	1978
John J. Schimpf	45	Executive Vice President and Director of the Company.	1981
J. Larry Sorsby	39	Senior Vice President-Finance/ Treasurer	1988

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

Mr. A. Hovnanian was appointed President in April 1988, after serving as

Executive Vice President from March 1983. Mr. A. Hovnanian was elected a Director of the Company in December l98l. Mr. A. Hovnanian is the son of Mr. K. Hovnanian.

Mr. Buchanan was appointed Senior Vice President-Corporate Controller in May l990, after serving as Vice President-Corporate Controller from March 1983. Mr. Buchanan was elected a Director of the Company in March l982.

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

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

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

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

Item 11 - EXECUTIVE COMPENSATION

The information called for by Item ll is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held in March 1995, which will involve the election of directors.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item l2 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held in March l995, which will involve the election of directors.

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item l3 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held in March 1995, which will involve the election of directors.

PART IV

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

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

Exhibits:

3(a) Certificate of Incorporation of the Registrant.(1)
3(b) Certificate of Amendment of Certificate of Incorporation of the Registrant.(8)
3(c) Bylaws of the Registrant.(8)
4(a) Specimen Class A Common Stock Certificate.(8)
4(b) Specimen Class B Common Stock Certificate.(8)
4(c) Indenture dated as of April 29, 1992, relating to 11 1/4% Subordinated Notes between the Registrant and First Fidelity Bank, including form of 11 1/4% Subordinated Notes due April 15, 2002.(2)
4(d) Indenture dated as of May 28, 1993, relating to 9 3/4% Subordinated Notes between Registrant and First Fidelity Bank, National Association, New Jersey, as Trustee, including form of

9 3/4% Subordinated Note due 2005.(4)

10(a) Credit Agreement dated July 30, 1993 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain Subsidiaries Thereof, Midlantic National Bank, Chemical Bank, United Jersey Bank/Central, N.A., and NBD Bank, N.A.(7)

10(b) Amendment to Credit Agreement among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, Midlantic National Bank, Chemical Bank, United Jersey Bank, NBD Bank, N.A., PNC Bank, National Association, Meridian Bank, Nations Bank of Virginia, N.A., First National Bank of Boston, and Continental Bank.

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

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

10(e) Stock Option Plan.(6)

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

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

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

10(i) Description of Deferred Compensation Plan.(5)

22 Subsidiaries of the Registrant.

(1) Incorporated by reference to Exhibits to Registration Statement (No. 2-85198) on Form S-1 of the Registrant.

(2) Incorporated by reference to Exhibits to Registration Statement (No. 33-46064) on Form S-3 of the Registrant.

(3) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1986 of the Registrant.

(4) Incorporated by reference to Exhibits to Registration Statement (No. 33-61778) on Form S-3 of the Registrant.

(5) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1990 of the Registrant.

(6) Incorporated by reference to the Proxy Statement dated June 15, 1990.

(7) Incorporated by reference to an Exhibit to Quarterly Report on Form 10-Q for the quarter ended August 31, 1993, of the Registrant.

(8) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1994 of the Registrant.

(9) Incorporated by reference to an Exhibit to Quarterly Report on Form 10-Q for the quarter ended August 31, 1994, of the Registrant.

Reports on Form 8-K

The Company did not file any reports on Form 8-K during the two months ended October 31, 1994 (the period since the latest quarterly report on Form 10-Q of the Company was filed).

SIGNATURES

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

Hovnanian Enterprises, Inc.
By:

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

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

/S/KEVORK S. HOVNANIAN Kevork S. Hovnanian	Chairman of The Board and Director	1/27/95 Date
/S/ARA K. HOVNANIAN Ara K. Hovnanian	President and Director	1/27/95 Date
/S/PAUL W. BUCHANAN Paul W. Buchanan	Senior Vice President Corporate Controller and Director	1/27/95 Date
/S/TIMOTHY P. MASON Timothy P. Mason	Senior Vice President- Administration/Secretary and Director	1/27/95 Date
/S/PETER S. REINHART Peter S. Reinhart	Senior Vice President and General Counsel and Director	1/27/95 Date

/S/JOHN J. SCHIMPF John J. Schimpf	Executive Vice President and Director	1/27/95 Date
/S/J. LARRY SORSBY J. Larry Sorsby	Senior Vice President/ Finance and Treasurer	1/27/95 Date

HOVNANIAN ENTERPRISES, INC.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated balance sheets of Hovnanian Enterprises, Inc. and subsidiaries as of October 31, 1994 and February 28, 1994, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the eight month period ended October 31, 1994 and for each of the years in the three year period ended February 28, 1994 and the schedules listed in the accompanying index. These financial statements and the schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based upon our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hovnanian Enterprises, Inc. and subsidiaries as of October 31, 1994 and February 28, 1994, and the results of their operations and their cash flows for the eight month period ended October 31, 1994 and for each of the years in the three year period ended February 28, 1994, and the schedules listed in the accompanying index in conformity with generally accepted accounting principles. Further, it is our opinion that the schedules referred to above present fairly the information set forth therein.

/S/ Kenneth Leventhal and Company

New York, New York
December 23, 1994

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

ASSETS	October 31, 1994	February 28, 1994
Homebuilding:		
Cash and cash equivalents(Note 5)	$ 17,299	$27,233
Inventories - At cost, not in excess of net realizable value (Notes 7 and 11):		
Sold and unsold homes and lots under development	328,961	194,307
Land and land options held for future development or sale	57,579	84,431
Total Inventories	386,540	278,738
Receivables, deposits, and notes (Notes 6 and 12)	25,778	28,062
Property, plant, and equipment - net (Note 4)	11,437	9,414
Prepaid expenses and other assets	26,757	27,711
Total Homebuilding	467,811	371,158
Financial Services:		
Cash	138	861
Mortgage loans held for sale.(Note 6)	29,459	50,305
Other assets	1,451	1,856
Total Financial Services	31,048	53,022
Investment Properties:		
Rental property - net (Note 4)	56,181	61,960
Property under development or held for future development	15,298	14,691
Investment in and advances to unconsolidated joint venture	3,994	3,296
Other assets	3,231	2,427
Total Investment Properties	78,704	82,374
Collateralized Mortgage Financing:		
Collateral for bonds payable (Note 6)	21,275	30,755
Other assets	1,404	2,293
Total Collateralized Mortgage Financing	22,679	33,048
Income Taxes Receivable - Including deferred tax benefits (Note 10)	12,683	
Total Assets	$612,925	$539,602

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	October 31, 1994	February 28, 1994
Homebuilding:		
Nonrecourse land mortgages (Note 7)	$ 26,938	$ 7,494
Accounts payable and other liabilities	42,586	44,836
Customers' deposits (Note 5)	12,138	11,717
Nonrecourse mortgage secured by operating property (Note 7)	2,946	2,972
Total Homebuilding	84,608	67,019
Financial Services:		
Accounts payable and other liabilities	772	1,046
Mortgage warehouse line of credit (Note 6)	20,554	39,307
Total Financial Services	21,326	40,353
Investment Properties:		
Accounts payable and other liabilities	1,731	1,796
Nonrecourse mortgages secured by rental property (Note 7)	17,541	18,475
Total Investment Properties	19,272	20,271
Collateralized Mortgage Financing:		
Accounts payable and other liabilities	15	17

Bonds collateralized by mortgages receivable (Note 6)	20,815	30,343
Total Collateralized Mortgage Financing	20,830	30,360
Notes Payable:		
Revolving credit agreement (Note 7)	99,200	
Subordinated notes (Note 8)	200,000	200,000
Accrued interest	5,559	7,660
Total Notes Payable	304,759	207,660
Income Taxes Payable (Note 10)		2,938
Total Liabilities	450,795	368,601
Commitments and Contingent Liabilities (Notes 5 and 14)		
Stockholders' Equity (Note 15):		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 15,076,173 shares (including 345,874 shares held in Treasury)	149	147
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,637,628 shares (including 345,874 shares held in Treasury)	88	88
Paid in Capital	33,858	32,301
Retained Earnings (Note 8)	133,334	143,764
Treasury Stock - at cost	(5,299)	(5,299)
Total Stockholders' Equity	162,130	171,001
Total Liabilities and Stockholders' Equity	$612,925	$539,602

See notes to consolidated financial statements.

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

	Eight Months Ended October 31, 1994 (Note 1)	Twelve Months Ended February 28, 1994	Twelve Months Ended February 28, 1993	Twelve Months Ended February 29, 1992
Revenues:				
Homebuilding:				
Sale of homes	$366,322	$557,489	$397,306	$291,755
Land sales and other revenues	7,493	9,969	16,200	9,286
Total Homebuilding	373,815	567,458	413,506	301,041
Financial Services	4,347	6,890	4,687	4,320
Investment Properties	6,396	9,024	6,609	7,431
Collateralized Mortgage Financing	2,027	3,638	4,513	5,735
Total Revenues	386,585	587,010	429,315	318,527
Expenses:				
Homebuilding:				
Cost of sales	298,951	437,811	315,271	232,478
Selling, general and administrative	51,041	64,282	47,350	36,913
Provision to reduce inventory to estimated net realizable value.(Note 11)	6,357		3,100	
Total Homebuilding	356,349	502,093	365,721	269,391
Financial Services	5,543	6,420	3,934	3,341
Investment Properties	5,206	5,797	5,599	6,337
Collateralized Mortgage Financing	2,379	4,284	4,985	5,438
Corporate General and Administration(Note 3)	10,133	10,678	8,382	6,301
Interest	15,313	22,530	22,269	22,457
Other operations	7,167	4,174	3,900	3,368
Provision for loan writedown (Note 12)		1,883		
Total Expenses	402,090	557,859	414,790	316,633
Income(Loss) Before Income Taxes, Extraordinary Loss and Cumulative Effect of Change in Accounting	(15,505)	29,151	14,525	1,894
State and Federal Income Taxes:				
State (Note 8)	1,118	903	1,599	578
Federal (Note 8)	(6,193)	8,326	3,136	(279)
Total Taxes	(5,075)	9,229	4,735	299
	(10,430)	19,922	9,790	1,595
Extraordinary Loss from Extinguishment of Debt, Net of Income Taxes (Note 8)		(1,277)		
Cumulative Effect of Change in Accounting for Income Taxes (Note 1)				883
Net Income (Loss)	$(10,430)	$ 18,645	$ 9,790	$ 2,478

Earnings Per Common Share (Note 1):				
Income (loss) before extraordinary loss and cumulative effect of change in accounting..	($0.46)	$ 0.87	$ 0.43	$ 0.07
Extraordinary loss..........................		(0.05)		
Cumulative effect of changes in accounting...				0.04
Net Income (Loss)............................	($0.46)	$ 0.82	$ 0.43	$ 0.11

See notes to consolidated financial statements.

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

	Common Stock		A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, February 28, 1991..	20,695,182	$214					$17,655	$112,851	($5,299)	$125,421
Issuance of common stock....	2,000,000	20					13,753			13,773
Sale of common stock under employee stock option plan.	60,449						317			317
Net income									2,478	2,478
Balance, February 29, 1992.	22,755,631	234					31,725	115,32	(5,299)	141,989
Sale of common stock under employee stock option plan.	28,000	1					157			158
Conversion of common stock to Class A and Class B.....	(22,783,631)	(235)	11,391,815	$118	11,391,815	$117				
Conversion of Class B to Class A common stock...			1,928,981	19	(1,928,981)	(19)				
Treasury stock purchases..			(41)		(41)					
Retirements...............			(1)							
Net Income................							9,790			9,790
Balance, February 28, 1993.	0	0	13,320,754	137	9,462,793	98	31,882	125,119	(5,299)	151,937
Sale of common stock under employee stock option plan.			29,250		29,250	419				419
Conversion of common stock to Class A and Class B.										
Conversion of Class B to Class A common stock....			1,011,587	10	(1,011,581)	(10)				
Treasury stock purchases..										
Retirements...............										
Net Income................								18,645		18,645
Balance, February 28, 1994.	0	0	14,361,591	147	8,480,462	88	32,301	143,764	(5,299)	171,001
Issuance of Class A Common Stock..................			180,000	2			1,557			1,559
Conversion of Class B to Class A common stock....			188,708		(188,708)					
Net Loss..................								(10,430)		(10,430)
Balance, October 31, 1994.	0	0	14,730,299	$149	8,291,754	$88	$33,858	$133,334	($5,299)	$162,130

See notes to consolidated financial statements.

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

	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	February 28,1993	February 29, 1992
Cash Flows From Operating Activities:				
Net Income (Loss)............................	$(10,430)	$18,645	$9,790	$2,478
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation.............................	2,508	3,035	2,924	2,888
Loss (gain) on sale and retirement of property and assets.....................	623	244	(282)	(1,375)
Writedown of loan from sale of subsidiary..		1,883		
Deferred income taxes......................	(960)	(1,573)	(195)	391
Loss from unconsolidated affiliates........		8	269	
Provision to reduce inventory to net realizable value.........................	6,357		3,100	
Decrease (increase) in assets:				
Escrow cash.............................	1,986	1,811	(3,249)	(72)
Receivables, prepaids and other assets...	4,530	(6,006)	(22,296)	533
Mortgage notes receivable...............	20,362	(22,043)	(15,755)	5,251

Inventories	(113,745)	(35,347)	(38,476)	12,635
Increase (decrease) in liabilities:				
State and Federal income taxes	(14,661)	6,140	4,978	2,296
Customers' deposits	455	3,974	455	2,043
Interest and other accrued liabilities	(6,701)	(3,308)	15,073	676
Post development completion costs	(1,041)	3,166	(3,665)	3,389
Accounts payable	3,016	7,289	2,882	(660)
Amortization of debenture discounts		3	24	31
Net cash provided by (used in) operating activities	(107,701)	(22,079)	(44,423)	30,504
Cash Flows From Investing Activities:				
Proceeds from sale of property and assets	5,292	2,114	3,327	13,309
Proceeds from sale of subsidiaries				(95)
Investment in property and assets	(6,636)	(1,464)	(3,198)	(13,017)
Purchase of property	(3,214)	(3,130)	(3,571)	(716)
Investment in and advances to unconsolidated affiliates	(298)	204	204	(2,914)
Investment in income producing properties	4,133	(16,597)	(1,796)	17,593
Investment in loans from sale of subsidiaries		50	(86)	(2,761)
Net cash provided by (used in) investing activities	(723)	(18,823)	(5,120)	11,399
Cash Flows From Financing Activities:				
Proceeds from mortgages and notes	473,621	552,640	255,340	183,344
Proceeds from subordinated debt		100,000	100,000	
Principal payments on mortgages and notes	(384,218)	(557,531)	(303,677)	(242,686)
Principal payments on subordinated debt		(52,160)	(15,590)	(3,867)
Investment in mortgage notes receivable	10,284	10,597	11,240	7,240
Proceeds from sale of stock		419	157	14,090
Net cash provided by (used in) financing activities	99,687	53,965	47,470	(41,879)
Net Increase (Decrease) In Cash	(8,737)	13,063	(2,073)	24
Cash Balance, Beginning Of Period	23,274	10,211	12,284	12,260
Cash Balance, End Of Period	$14,537	$23,274	$10,211	$12,284
Supplemental Disclosures Of Cash Flow:				
Cash paid (received) during the year for:				
Interest (net of amount capitalized)	$17,380	$25,173	$19,546	$22,302
Income Taxes	10,574	3,867	(48)	(3,271)
	$27,954	$29,040	$19,498	$19,031

See notes to consolidated financial statements.

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

	Twelve Months Ended	
	October 31, 1994 (Unaudited)	October 31, 1993 (Unaudited)
Revenues:		
Homebuilding:		
Sale of homes	$670,870	$469,409
Land sales and other revenues	12,422	9,128
Total Homebuilding	683,292	478,537
Financial Services	7,709	5,972
Investment Properties	10,323	7,295
Collateralized Mortgage Financing	3,119	4,035
Total Revenues	704,443	495,839
Expenses:		
Homebuilding:		
Cost of sales	535,880	365,623
Selling, general and administrative	76,349	58,518
Provision to reduce inventory to estimated net realizable value	6,357	3,100
Total Homebuilding	618,586	427,241
Financial Services	7,993	5,594
Investment Properties	7,302	6,126
Collateralized Mortgage Financing	3,756	4,489
Corporate General and Administration	13,558	9,546
Interest	25,359	21,585
Other operations	9,475	3,556
Provision for loan writedown	1,883	
Total Expenses	687,912	478,137
Income Before Income Taxes and Extraordinary Loss	16,531	17,702
State and Federal Income Taxes:		
State	1,037	2,020
Federal	4,017	4,008
Total Taxes	5,054	6,028
	11,477	11,674
Extraordinary Loss from Extinguishment of Debt, Net of Income Taxes		(1,277)

Net Income	$ 11,477	$ 10,397
Earnings Per Common Share:		
Income before extraordinary loss and cumulative effect of change in accounting	$ 0.50	$ 0.51
Extraordinary loss		(0.05)
Net Income	$ 0.50	$ 0.46

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE EIGHT MONTHS ENDED OCTOBER 31, 1994 AND THE TWELVE MONTHS ENDED FEBRUARY 28(29), 1994, 1993, AND 1992

1. SUMMARY OF ACCOUNTING POLICIES

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

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

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

Reformat of Financial Statements - The financial statements for prior years have been conformed to the format used at October 31, 1994.

The Company reports income taxes in accordance with Statement of Financial Accounting No. 109 ("FAS 109"), "Accounting For Income Taxes". Among other things, FAS 109 changes the method of recognizing deferred tax assets. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for carryforwards. A valuation allowance is recognized if it is more likely than not that some portion of the deferred asset will not be recognized. The effect of initially applying FAS 109 in fiscal 1992 resulted in recording additional deferred tax assets and increasing net income by $883,000, or $.04 per common share.

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

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

Inventories - Inventories are recorded at the lower of cost or net realizable value. Net realizable value is defined as the estimated proceeds upon disposition less all future costs to complete and expected costs to sell. Construction costs are accumulated during the period of construction and charged to cost of sales under specific identification methods. Land, land development, and common facility costs are amortized based upon the number of homes to be constructed in each housing community utilizing a relative sales value allocation method.

Interest costs related to properties in progress are capitalized during the construction period and charged to cost of sales as the related inventories are sold (see Note 7).

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

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

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

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

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

Prepaid Expenses - Prepaid expenses which relate to specific housing communities are amortized to costs of sales as the applicable inventories are sold.

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

2. UNAUDITED ADDITIONAL INCOME STATEMENT INFORMATION

The Company's management prepared income statement information based on an eight month period ended October 31, 1993 and the twelve months ended October 31, 1994 and 1993. In the opinion of management all adjustments for these periods have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated income information. For the eight months ended October 31, 1993 total revenues were $269,396,000, total expenses were $272,112,000, total income taxes were ($797,000), extraordinary loss was $1,277,000, and net loss was $3,196,000. Loss per share amounted to $.14. For the twelve months ended October 31, 1994 interest incurred amounted to $21,844,000 and $5,192,000 and interest expensed amounted to $20,396,000 and $4,963,000 for residential and commercial operations, respectively. Capitalized interest at October 31, 1993 was $27,925,000 and interest charged to reserves and sales of assets was $299,000 and $355,000, respectively, for the twelve months ended October 31, 1994.

3. CORPORATE INITIATIVES

The Company has embarked on long term improvement initiatives of total quality, process redesign, and training. Included in Corporate General and Administration is $1,964,000 and $853,000 for the eight months ended October 31, 1994 and the year ended February 28, 1994, respectively.

4. PROPERTY

Homebuilding property, plant, and equipment consists of land, land improvements, buildings, building improvements, furniture and equipment used by the Company and its subsidiaries to conduct day to day business. Homebuilding Accumulated depreciation related to these assets at October 31, 1994 and February 28, 1994 amounted to $11,854,000 and $10,925,000, respectively. Rental property consists of rental condominiums, two office buildings, three office warehouse facilities, three retail shopping centers, and a senior citizen rental community in New Jersey. The Company anticipates the condominiums located in New Hampshire will be liquidated through a bulk sale. Accumulated depreciation on rental property at October 31, 1994 and February 28, 1994 amounted to $7,781,000 and $7,156,000, respectively.

5. ESCROW CASH

Escrow cash amounting to $3,057,000 and $5,043,000 at October 31, 1994 and February 28, 1994, respectively, primarily represents customers' deposits which are restricted from use by the Company. The Company is able to release escrow cash by pledging letters of credit. At October 31, 1994 and February 28, 1994, $4,558,000 and $6,453,000 was released from escrow and letters of credit were pledged, respectively. Escrow cash accounts are substantially invested in short-term certificates of deposit or time deposits.

6. MORTGAGES AND NOTES RECEIVABLE

The Company's wholly-owned mortgage banking subsidiary originates mortgage loans, primarily from the sale of the Company's homes. Such mortgage loans are sold in the secondary mortgage market or prior to February 28, 1987 pledged against collateralized mortgage obligations ("CMO's"). At October 31, 1994 and February 28, 1994, respectively, $23,460,000 and $43,502,000 of such mortgages were pledged against the Company's mortgage warehouse line (see "Notes to Consolidated Financial Statements - Note 7"). The Company may incur risk with respect to mortgages that are delinquent and not pledged against CMO's, but only to the extent the losses are not covered by mortgage insurance or resale value of the home. Historically, the Company has incurred minimal credit losses. The mortgage loans held for sale are carried at the lower of cost or market value, determined on an aggregate basis. There was no valuation adjustment at October 31, 1994.

In connection with certain bulk sales of condominium homes, land sales, and the sale of certain subsidiaries, the Company made loans. At October 31, 1994 and February 28, 1994, the outstanding balance of such loans amounted to $3,146,000 and $3,808,000, respectively, with interest rates at October 31, 1994 ranging up to 10.5%.

7. MORTGAGES AND NOTES PAYABLE

Substantially all of the nonrecourse land mortgages are short-term borrowings. Nonrecourse mortgages secured by operating and rental property are installment obligations having annual principal maturities in the following years ending October 31, of approximately $180,000 in 1995, $198,000 in 1996, $218,000 in 1997, $239,000 in 1998, and $19,652,000 after 1998.

The Company has a Revolving Credit Agreement ("Agreement") with a group of banks which provides up to $225,000,000 through March 1997. Interest is payable monthly and at various rates of either prime plus 1/2% or LIBOR plus 2%. In addition, the Company pays 3/8% per annum on the weighted average unused portion of the line. The Company believes that it will be able either to extend the Agreement beyond March 1997 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility.

Interest costs incurred, expensed and capitalized were:

	(6) Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	February 28, 1993	February 29, 1992
	(Dollars in Thousands)			
Interest incurred (1):				
Residential(3).................	$15,145	$20,830	$15,990	$13,701
Commercial(4)..................	3,289	5,138	6,165	6,762
Total incurred.................	$18,434	$25,968	$22,155	$20,463
Interest expensed:				
Residential(3).................	$12,118	$17,622	$16,460	$15,900
Commercial(4)..................	3,195	4,908	5,809	6,557
Total expensed.................	$15,313	$22,530	$22,269	$22,457
Interest capitalized at beginning of year.............	$26,443	$23,366	$24,062	$27,427
Plus: Interest incurred.........	18,434	25,968	22,155	20,463
Less: Interest expensed.........	15,313	22,530	22,269	22,457
Less: Charged to reserves.......	261	361	583	1,371
Less: Sale of assets............	355	-	-	-
Interest capitalized at end of year....................	$28,948	$26,443	$23,365	$24,062
Interest capitalized at end of year (5):				
Residential(3).................	$22,975	$20,209	$15,727	$16,780
Commercial(2)..................	5,973	6,234	7,638	7,282
Total interest capitalized..................	$28,948	$26,443	$23,365	$24,062

(1) Data does not include interest incurred by the Company's mortgage and finance subsidiaries.
(2) Data does not include a reduction for depreciation.
(3) Represents acquisition interest for construction, land and development costs which is charged to cost of sales.
(4) Represents interest charged to rental operations.
(5) Capitalized residential interest at February 28, 1994 includes $1,635,000 reported at February 28, 1993 as capitalized commercial interest. This reclassification was the result of the transfer of two parcels of land from commercial due to a change in the intended use to residential housing.
(6) For the unaudited twelve months ended October 31, 1994 see Note 2.

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

	October 31, 1994	February 28, 1994	February 28, 1993	February 29, 1992
		(Dollars In Thousands)		
Average outstanding borrowings.................	$ 72,204	$ 39,632	$ 32,788	$110,910
Average interest rate during period(1)..................	7.4%	5.4%	6.2%	8.4%
Average interest rate at end of period..................	9.9%	--	6.5%	7.1%
Maximum outstanding at any month end..................	.$118,455	$ 72,700	$ 68,350	$138,904

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

8. SUBORDINATED NOTES

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

On April 29, 1992, the Company issued $100,000,000 principal amount of 11 1/4% Subordinated Notes due April 15, 2002. Interest is payable semi-annually. Annual sinking fund payments of $20,000,000 are required to commence April 15, 2000, and are calculated to retire 40% of the issue prior to maturity.

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

The indentures relating to the subordinated notes and the Revolving Credit Agreement contain restrictions on the payment of cash dividends. At October 31, 1994, $28,661,000 of retained earnings were free of such restrictions.

9. RETIREMENT PLAN

On December 1, 1982, the Company established a defined contribution savings and investment retirement plan. Under such plan there are no prior service costs. All associates are eligible to participate in the retirement plan and employer contributions are based on a percentage of associate contributions. Plan costs charged to operations amount to $843,000 for the eight months ended October 31, 1994 and $788,000, $477,000, and $434,000 for the years ended February 28, 1994, February 28, 1993, and February 29, 1992, respectively.

10. INCOME TAXES

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

	October 31, 1994	February 28, 1994
	(In Thousands)	
State income taxes:		
Current	$ 298	$ 1,745
Deferred	(812)	(1,105)
Federal income taxes:		
Current	(4,926)	8,288
Deferred	(7,243)	(5,990)
Total	$(12,683)	$ 2,938

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

	Eight Months Ended October 31, 1994	Twelve Months Ended February 28, 1994	Twelve Months Ended February 28, 1993	Twelve Months Ended February 29, 1992
	(In Thousands)			
Capitalized interest	$ (3)	$ (3)	$ (16)	$ (96)
Homeowner association maintenance reserves	(46)	166	53	(117)
Installment sales	(431)	(493)	(578)	(592)
Provision to reduce inventory to net realizable value	(287)	1,324	954	2,563
Deferred expenses	(54)	(727)	(608)	(484)
Depreciation	328	298		
Post development completion costs	(127)	(1,988)		
Net operating losses	97	(129)		
Other	(3)	(21)		
Low income housing tax credit	(434)			
Benefit (Provision) - total	$ (960)	$(1,573)	$ (195)	$ 1,274

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

	October 31, 1994	February 28, 1994
	(In Thousands)	
Deferred Tax Liabilities:		
Deferred interest	$ 249	$ 252
Installment sales	353	784
Accelerated depreciation	1,433	1,104
Total	2,035	2,140
Deferred Tax Assets:		
Deferred income	358	369
Maintenance guarantee reserves	536	490
Provision to reduce inventory to net realizable value	3,864	3,577
Uniform capitalization of overhead	2,096	2,018
Post development completion costs	2,115	1,988
Other	687	793
Low income housing tax credit	434	
Total	10,090	9,235
Net Deferred Tax Assets	$(8,055)	$(7,095)

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

	October 31, 1994	February 28, 1994	February 28, 1993	February 29, 1992
Computed "expected" tax rate......	(35.0%)	35.0%	34.0%	34.0%
State income taxes, net of Federal income tax benefit.............	4.7%	1.8%	7.3%	20.1%
Loss carryforward of New Fortis subsidiary......................	--	(2.1%)	(2.6%)	(26.5%)
Other............................	(2.4%)	(3.0%)	(6.2%)	(11.8%)
Effective tax rate................	(32.7%)	31.7%	32.5%	15.8%

The Company has state net operating loss carryforwards for financial reporting and tax purposes of $207,000,000 due to expire between the years October 31, 1995 and October 31, 2009.

11. PROVISION TO REDUCE INVENTORY TO ESTIMATED NET REALIZABLE VALUE

During the eight months ended October 31, 1994 and the year ended February 28, 1993, the Company provided reserves of $6.4 million and $3.1 million, respectively, to reduce certain residential properties to their estimated net realizable values. The October 31, 1994 reserve is primarily attributable to three communities, one each in New York, New Hampshire, and Pennsylvania. In New York, the reserve is an addition to prior years' reserves due to reduced sales prices, buyers concessions, and an extended sellout period. In New Hampshire, the reserve is also an addition to prior years' reserves due to reduced sales prices in anticipation of a bulk sale of the remaining homes. In Pennsylvania, the reserve is due to reduced sales prices and an extended sellout period. The February 28, 1993 reserve was substantially attributable to two Florida communities where the Company significantly reduced sales prices. Although all these communities except New Hampshire have very few standing unsold houses, by reducing sales prices and offering buyer incentives the Company plans to accelerate their buildout. The Company believes the rapid liquidation of these properties will enable it to concentrate on newer and more profitable developments. In addition, in years prior to February 29, 1992 the Company established similar reserves attributable to Florida, New Hampshire and New York communities.

During the eight months ended October 31, 1994 and the years ended February 28(29), 1994, 1993, and 1992, the Company charged $5,209,000, $4,176,000, $5,245,000, and $7,525,000, respectively, against reserves for losses realized from the sales of certain homes. In the eight months ended October 31, 1994 and the years ended February 28(29), 1994, 1993, and 1992, respectively, these charges consisted of $4,900,000, $3,620,000, $4,459,000, and $5,678,000 of construction, and operations costs, $89,000, $195,000, $201,000, and $476,000 of selling, general and administration expenses and $220,000, $361,000 and $583,000 of interest expenses. At October 31, 1994 and February 28, 1994, respectively, inventory and residential rental inventory have been reduced by an allowance of $10,739,000 and $9,591,000 to reflect the carrying amounts at estimated net realizable value.

12. TRANSACTIONS WITH RELATED PARTIES

The Company's Board of Directors has adopted a general policy providing that it will not make loans to officers or directors of the Company or their relatives at an interest rate less than the interest rate at the date of the loan on six month U.S. Treasury Bills, that the aggregate of such loans will not exceed $2,000,000 at any one time, and that such loans will be made only with the approval of the members of the Company's Board of Directors who have no interest in the transaction. At October 31, 1994 and February 28, 1994 related party receivables from officers and directors amounted to $1,677,000 and $1,411,000, respectively. Notwithstanding the policy stated above, the Board of Directors of the Company concluded that the following transactions were in the best interests of the Company.

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

The Company provides property management services to various limited partnerships including two partnerships in which Mr. A. Hovnanian, President and a Director of the Company, is a general partner, and members of his family and certain officers and directors of the Company are limited partners. At October 31, 1994, these partnerships owed the Company $238,000.

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

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

13. STOCK OPTION PLAN

The Company has a stock option plan for certain officers and key employees. Options are granted by a Committee appointed by the Board of Directors. The exercise price of all stock options must be at least equal to the fair market value of the underlying shares on the date of the grant. Stock option transactions are summarized as follows:

	October 31, 1994	February 28, 1994	February 28, 1993	February 29, 1992
Options outstanding at beginning of period	938,500	1,004,000	530,500	590,949
Granted	--	--	509,500	--
Exercised	--	58,500	28,000	60,449
Cancelled	--	7,000	8,000	--
Options outstanding at end of period	938,500	938,500	1,004,000	530,500
Options exercisable at end of period	598,833	598,833	336,500	198,500
Price range of options exercised	--	$3.00-$9.44	$5.13-$9.44	$3.00-$9.44
Price range of options outstanding	$5.13-$11.50	$5.13-$11.50	$3.00-$11.50	$3.00-$9.44

14. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

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

As of October 31, 1994 and February 28, 1994, respectively, the Company is obligated under various performance letters of credit amounting to $6,088,000 and $5,114,000.

15. RECAPITALIZATION

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

On the effective date, each outstanding share of the Company's common stock, par value $.01 per share, was converted into one-half of a share of "Class A Common Stock", par value $.01 per share having one vote per share, and one-half of a share of "Class B Common Stock", par value $.01 per share having ten votes per share. The amount of any regular cash dividend payable on a share of Class A Common Stock will be an amount equal to 110% of the corresponding regular cash dividend payable on a share of Class B Common Stock.

If a shareholder desires to sell shares of Class B Common Stock, such stock must be converted into shares of Class A Common Stock. Shareholders may convert their shares of Class B Common Stock into an equal number of shares of Class A Common Stock at any time. A holder of Class B Common Stock can wait until the time of sale and deliver the Class B Common Stock to a broker. The broker will then present the Class B Common Stock to the Company's transfer agent, which will issue the purchaser shares of Class A Common Stock.

16. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY INFORMATION

Summarized quarterly financial information for the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993, is as follows:

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

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

	Three Months Ended February 28, 1993	November 30, 1992	August 31, 1992	May 31, 1992
	(In Thousands Except Per Share Data)			
Revenues	$184,950	$115,594	$ 83,585	$ 45,186
Expenses	$172,214	$112,486	$ 82,173	$ 47,917
Income (loss) before income taxes	$ 12,736	$ 3,108	$ 1,412	$ (2,731)
State and Federal income tax	$ 4,444	$ 1,152	$ 188	$ (1,049)
Net income (loss)	$ 8,292	$ 1,956	$ 1,224	$ (1,682)
Earnings (loss) per common share	$ .36	$ .09	$ .05	$ (.07)
Weighted average number of common shares outstanding	22,784	22,779	22,779	22,755

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

DESCRIPTION	BALANCE FEB. 28, 1991	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIPTION	CHARGED TO OTHER ACCOUNTS	DESCRIPTION	BALANCE FEB 29, 1992
Land and land development costs	$ 5,429,000		$2,906,000	Closings			$ 2,523,000
Land, land options and costs of comm. in planning	8,200,000						8,200,000

Rental property	9,508,000		4,619,000	Closings			4,889,000
Income producing property under development	300,000						300,000
	$23,437,000		$7,525,000				$15,912,000

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

DESCRIPTION	BALANCE FEB. 28, 1993	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIPTION	CHARGED TO OTHER ACCOUNTS	DESCRIPTION	BALANCE FEB 28, 1994
Land and land development costs	$ 6,436,000		$3,164,000	Closings	$2,091,000	Reclass	$ 5,363,000
Land, land options and costs of comm. in planning	4,846,000				(2,091,000)	Reclass	2,755,000
Rental property	2,387,000		1,012,000	Closings			1,375,000
Income producing property under development	98,000						98,000
	$13,767,000		$4,176,000		$0		$ 9,591,000

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

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

	Charged To Cost And Expenses			
	October 31, 1994	February 28, 1994	February 28, 1993	February 29, 1992
Advertising....................	$6,368,000	$8,587,000	$5,895,000	$4,776,000
Depreciation...................	$2,508,000	$3,035,000	$2,924,000	$2,888,000
Maintenance guarantee reserves..	$ 669,000	$1,237,000	$2,764,000	$1,257,000

SCHEDULE XI
HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
OCTOBER 31, 1994

	Gross Amounts (A)(B)(C)(D)				
Description	Land	Building/ Improvements	Total	Tax Basis	Accumulated Depreciation
1 Society Hill Florida Lake Worth, FL Condominiums	0	441,000	441,000	441,000	0
2.North Brunswick IV North Brunswick, NJ Flex Building	636,000	7,110,000	7,746,000	6,446,000	542,000
3 K.Hovnanian Corp.Center	541,000	4,885,000	5,426,000	4,949,000	981,000

	West Palm Beach, FL Office Building					
4	Society Hill @ Merimack Merrimack, NH Condominiums	0	1,326,000	1,326,000	1,031,000	308,000
5	Hovnanian Corp.Center North Brunswick, NJ Retail	1,000,000	4,722,000	5,722,000	5,167,000	981,000
6	Piscataway Retail Piscataway, NJ Retail Center	1,743,000	10,540,000	12,283,000	11,299,000	1,549,000
7	Hovnanian Corp. Center North Brunswick, NJ Office/Warehouse	616,000	8,532,000	9,148,000	8,107,000	2,637,000
8	Cypress Plaza Jacksonville, FL Retail Center	678,000	3,385,000	4,063,000	3,629,000	417,000
9	Lower Saucon Bethlehem, PA Condominiums	32,000	246,000	278,000	240,000	0
10	Allaire Shopping Center Allaire, NJ Retail Center	1,688,000	6,618,000	8,306,000	8,306,000	253,000
11	Hidden Meadows Ocean Twp, NJ Condominiums	544,000	5,748,000	6,292,000	6,062,000	105,000
12	North Brunswick IV North Brunswick, NJ Flex Building	714,000	1,975,000	2,689,000	2,415,000	0
13	Miscellaneous New Jersey Leasehold Improvements	0	269,000	269,000	269,000	8,000
14	Hovnanian Corp. Center North Brunswick, NJ Land/Land Improvement Approval & Flex Building Under Construction	2,702,000	5,171,000	7,873,000	7,051,000	0
15	Newark Shopping Center Newark, NJ Land Improvement and Approval Costs	0	1,342,000	1,342,000	1,342,000	0
16	Merrimack Commercial Merrimack, NH Land/Land Improve.Costs	200,000	100,000	300,000	300,000	0
17	Cypress Plaza Jacksonville, FL Land/Land Improve. and Approval Costs	1,744,000	3,822,000	5,566,000	5,126,000	0
18	Jensen Beach Club Jensen Beach, FL Land/Land Improve. and Approval Costs	190,000	0	190,000	190,000	0
		$13,028,000	66,232,000	79,260,000	72,370,000	7,781,000

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

(B) Depreciable Life:
40 years - Depreciation expense was $1,175,000 for the eight months ended October 31, 1994 and $1,408,000,$1,723,000,and $1,932,000 for the twelve months ended February 28, 1994 and 1993 and February 29, 1992, respectively.

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

Balance - February 29, 1992		79,851,000
Additions:	Improvements	5,314,000
	Valuation allowance to reduce inventory to net realizable value	2,502,000
Deletions:	Transfers to inventories	(14,633,000)
	Cost of rental condominiums sold	(5,096,000)
Balance - February 28, 1993		67,938,000
Additions:	Improvements	3,635,000
	Transfers from inventories	6,558,000
	Acquisitions	8,020,000
Deletions:	Transfer to fixed assets	(5,140,000)
	Cost of rental condominiums sold	(1,414,000)
	Cost of retail center sold	(728,000)
	Abandonment of project	(202,000)
Balance - February 28, 1994		$ 83,807,000
Additions:	Improvements	2,249,000
	Transfers from inventories	145,000
Deletions:	Cost of rental condomimiums sold	(1,806,000)
	Cost of commercial center sold	(1,243,000)
	Cost of mini storage sold	(3,892,000)
Balance - October 31, 1994		$ 79,260,000

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Balance at October 31, 1994 is reported on the consolidated balance sheet as rental and income producing properties under development.

EXHIBIT 22

SUBSIDIARY LISTING

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

K. Hovnanian at Hopewell III, Inc.
K. Hovnanian at Hopewell I, Inc.
K. Hovnanian at South Brunswick, Inc.
K. Hovnanian at East Windsor I, Inc.
K. Hovnanian at North Brunswick II, Inc.
K. Hovnanian at North Brunswick III, Inc.
K. Hovnanian at Hopewell II, Inc.
K. Hovnanian at Somerset VIII, Inc.
K. Hovnanian at Lawrence Square, Inc.
Dryer Associates, Inc.
K. Hovnanian at East Brunswick V, Inc.
K. Hovnanian at Bernards II, Inc.
K. Hovnanian at Bridgewater III, Inc.
K. Hovnanian at Plainsboro III, Inc.
K. Hovnanian at Somerset V, Inc.
K. Hovnanian at Somerset VI, Inc.
Eastern Title Agency, Inc.
K. Hovnanian Mortgage, Inc.
Governors Abstract
Eastern National Title Insurance Agency, Inc.
Founders Title Agency, Inc.
K. Hovnanian Companies North Central Jersey, Inc.
K. Hovnanian at Bedminster, Inc.
K. Hovnanian at Bridgewater IV, Inc.
K. Hovnanian at Branchburg III, Inc.
K. Hovnanian at Spring Ridge, Inc.
K. Hovnanian at Bridgewater V, Inc.
K. Hovnanian at Readington, Inc.
K. Hovnanian at Branchburg II, Inc.
K. Hovnanian at Bridgewater II, Inc.
K. Hovnanian at Branchburg I, Inc.
K. Hovnanian Companies Jersey Shore, Inc.
K. Hovnanian at Wall Township, Inc.
K. Hovnanian at Galloway VIII, Inc.
K. Hovnanian at Dover Township, Inc.
K. Hovnanian at Galloway VII, Inc.
K. Hovnanian at Tinton Falls II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Wall Township II, Inc.
K. Hovnanian at Wall Township III, Inc.
K. Hovnanian at Holmdel Township, Inc.
K. Hovnanian at Wall Township IV, Inc.
K. Hovnanian at Wall Township V, Inc.
K. Hovnanian at Atlantic City, Inc.
K. Hovnanian at Ocean Township II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Marlboro Township, Inc.
K. Hovnanian at Howell Township, Inc.
K. Hovnanian at Howell Township II, Inc.
K. Hovnanian at Woodbury Oaks, Inc.
K. Hovnanian at Freehold Township, Inc.
K. Hovnanian at Lakewood, Inc.
K. Hovnanian Companies of the Delaware Valley, Inc.
K. Hovnanian Co. of Delaware Valley, Inc. Brokerage Company
K. Hovnanian at Lower Saucon, Inc
K. Hovnanian at Perkiomen I, Inc.
K. Hovnanian at Montgomery I, Inc.
K. Hovnanian at Upper Merion, Inc.
K. Hovnanian at Perkiomen II, Inc.
K. Hovnanian Companies of South Jersey, Inc.
K. Hovnanian at Valleybrook, Inc.
Kings Grant Evesham Corp.
K. Hovnanian at Burlington, Inc.
K. Hovnanian at Medford I, Inc.
K. Hovnanian at The Reserve @ Medford, Inc
K. Hovnanian at Kings Grant I, Inc.
K. Hovnanian at Valleybrook II, Inc.
K. Hovnanian Real Estate of Florida, Inc.
Hovnanian Developments of Florida, Inc.
K. Hovnanian Companies of Florida, Inc.
Hovnanian of Palm Beach II, Inc.
Hovnanian of Palm Beach III, Inc.
Hovnanian of Palm Beach IV, Inc.
Hovnanian of Palm Beach V, Inc.
Hovnanian of Palm Beach VI, Inc.
Hovnanian of Palm Beach VII, Inc.
Hovnanian of Palm Beach VIII, Inc.
Hovnanian of Palm Beach IX, Inc.
Hovnanian at Tarpon Lakes I, Inc.
Hovnanian at Tarpon Lakes II, Inc.
Hovnanian at Tarpon Lakes III, Inc.
K. Hovnanian at Pasco I, Inc.
K. Hovnanian at Ft. Myers I, Inc.
K. Hovnanian at Palm Beach XI, Inc.
K. Hovnanian at Jensen Beach, Inc.
Hovnanian of Palm Beach X, Inc.
K. Hovnanian at Martin Downs I, Inc.
K. Hovnanian at Jacksonville I, Inc.
K. Hovnanian at Ft. Myers II, Inc.
K. Hovnanian at Lawrence Grove, Inc.
K. Hovnanian at Jacksonville II, Inc.
K. Hovnanian of Palm Beach XIII, Inc.
Hovnanian of Palm Beach, Inc.
K. Hovnanian at Half Moon Bay, Inc.
K. Hovnanian at Woodridge Estates, Inc.
Pike Utilities, Inc.
Tropical Service Builders, Inc.
K. Hovnanian at Embassy Lakes, Inc.

K. Hovnanian at Delray Beach II, Inc.
K. Hovnanian at Orlando I, Inc.
K. Hovnanian at Orlando II, Inc.
K. Hovnanian at Orlando III, Inc.
K. Hovnanian at Martin Downs II, Inc.
K. Hovnanian at Orlando IV, Inc.
K. Hovnanian Properties of Orlando, Inc.
K. Hovnanian at Delray Beach I, Inc.
K. Hovnanian at Pasco II, Inc.
K. Hovnanian at Port St. Lucie I, Inc.
K. Hovnanian at Delray Beach, Inc.
Eastern National Title Insurance Agency, Inc.
K. Hovnanian Mortgage of Florida, Inc.
South Florida Residential Title Agency, Inc.
Eastern National Title Insurance Agency I, Inc.
Western Financial Services, Inc.
r. e. Scott Mortgage co. of Florida, Inc.
New K. Hovnanian Developments of Florida, Inc.
New K. Hovnanian Companies of Florida, Inc.
K. Hovnanian at Fairway Views, Inc.
K. Hovanian at Lake Charleston, Inc.
K. Hovnanian at Carolina Country Club I, Inc.
K. Hovnanian at Chapel Trail, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Lakes of Boca Raton, Inc.
K. Hovnanian at Lake Charleston II, Inc.
K. Hovnanian at Lake Charleston III, Inc.
K. Hovnanian at Carolina Country Club II, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Pembroke Isles, Ins.
K. Hovnanian at Carolina Country Club III, Inc.
K. Hovnanian at Coconut Creek, Inc.
K. Hovnanian at Polo Trace, Inc.
K. Hovnanian Companies of New York, Inc.
K. Hovnanian at Westchester, Inc.
K. Hovnanian at Peekskill, Inc.
K. Hovnanian at Washingtonville, Inc.
K. Hovnanian at Mahopac, Inc.
K. Hovnanian at Carmel, Inc.
K. Hovnanian Developments of New York, Inc.
Cedar Hill Water Corporation
Cedar Hill Sewer Corporation
R.C.K. Community Management Co., Inc.
K. Hovnanian Companies of Massachusetts, Inc.
K. Hovnanian at Merrimack, Inc.
K. Hovnanian at Merrimack II, Inc.
K. Hovnanian at Taunton, Inc.
New England Community Management Co., Inc.
K. Hovnanian Cos. of Metro Washington, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Woodmont,, Inc.
K. Hovnanian at Sully Station, Inc.
K. Hovnanian at Bull Run, Inc.
K. Hovnanian at Montclair, Inc.
K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Holly Crest, Inc.
K. Hovnanian at Woodmont, Inc.
K. Hovnanian at Montclair, Inc.(Montclair Condos)
K. Hovnanian at Fair Lakes, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Park Ridge, Inc.
K. Hovnanian at Belmont, Inc.
K. Hovnanian at Fair Lakes Glen, Inc.
K. Hovnanian Developments of Metro Washington, Inc.
K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Montclair, Inc. (Montclair Laing)
K. Hovnanian Companies of California, Inc.
K. Hovnanian at Clarkstown, Inc.
K. Hovnanian at West Orange, Inc.
K. Hovnanian at Wayne III, Inc.
K. Hovnanian at Wayne IV, Inc.
K. Hovnanian at Wayne V, Inc.
K. Hovnanian at Hackettstown, Inc.
K. Hovnanian at Spring Mountain, Inc.
K. Hovnaian at East Windsor II, Inc.
K. Hovnanian Treasure Coast, Inc.
K. Hovnanian at La Terraza, Inc.
K. Hovnanian at Highland Vineyards, Inc.
K. Hovnanian Companies of Southern California II, Inc.
K. Hovnanian at Vail Ranch, Inc.
K. Hovnanian at Carmel Del Mar, Inc.
K. Hovnanian at Calabria, Inc.
K. Hovnanian Developments of California, Inc.
K. Hovnanian at Ballantrae, Inc.
Ballantrae Home Sales, Inc.
K. Hovnanian at Hunter Estates, Inc.
K. Hovnanian Developments of Maryland, Inc.
K. Hovnanian Companies of Maryland, Inc.
K. Hovnanian at Seneca Crossing, Inc.
K. Hovnanian at Exeter Hills, Inc.
K. Hovnanian Southeast Florida, Inc.
K. Hovnanian Florida Region, Inc.
K. Hovnanian at East Brunswick VI, Inc.
K. Hovnanian at Berlin, Inc.
K. Hovnanian at Bedminster II, Inc.
K. Hovnanian at Marlboro Township II, Inc.
K. Hovnanian at Inverrary I, Inc.
K. Hovnanian at Mahwah IX, Inc.

K. Hovnanian at Hopewell IV, Inc.

5
1000

8-MOS
OCT-31-1994
OCT-31-1994
14,537
0
25,778
0
386,540
466,592
23,291
11,854
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209,493
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612,925
373,815
386,585
298,951
380,420
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(10,430)
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0
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(10,430)
(0.46)
(0.46)