

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

Form 10-K

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

For the fiscal year ended OCTOBER 31, 2024

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

Commission file number: 1-8551

Hovnanian Enterprises, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

22-1851059

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

90 Matawan Road, Fifth Floor, Matawan, NJ

(Address of Principal Executive Offices)

07747

(Zip Code)

732-747-7800

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

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

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

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

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

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

The aggregate market value of the voting and nonvoting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity as of April 30, 2024 (the last business day of the registrant's most recently completed second fiscal quarter) was \$727,547,193.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 5,326,091 shares of Class A common stock and 729,354 shares of Class B common stock were outstanding as of December 12, 2024.

HOVNANIAN ENTERPRISES, INC.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III — Those portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with registrant's annual meeting of stockholders to be held on March 27, 2025, which are responsive to those parts of Part III, Items 10, 11, 12, 13 and 14 as identified herein.

FORM 10-K
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PART I

ITEM 1 BUSINESS

Business Overview

Hovnanian Enterprises, Inc. (“HEI”) conducts all of its homebuilding and financial services operations through its subsidiaries (references herein to the “Company,” “we,” “us” or “our” refer to HEI and its consolidated subsidiaries and should be understood to reflect the consolidated business of HEI’s subsidiaries). Through its subsidiaries, HEI designs, constructs, markets, and sells single-family detached homes, attached townhomes and condominiums, urban infill, and active lifestyle homes in planned residential developments and is one of the nation’s largest builders of residential homes. Founded in 1959 by Kevork Hovnanian, HEI was incorporated in New Jersey in 1967 and reincorporated in Delaware in 1983. Since the incorporation of HEI’s predecessor company, the Company combined with its unconsolidated joint ventures have delivered in excess of 375,000 homes, including 6,201 homes in fiscal 2024. The Company has two distinct operations: homebuilding and financial services. Our homebuilding operations consist of three reportable segments: Northeast, Southeast and West. Our financial services operations provide mortgage loans and title services to the customers of our homebuilding operations.

Excluding unconsolidated joint ventures, we are currently offering homes for sale in 130 communities in 27 markets in 13 states throughout the United States. We market and build homes for first-time buyers, move-up buyers, luxury buyers, active lifestyle buyers and empty nesters. We offer a variety of home styles at base prices ranging from \$62,000 to \$1,910,000 with an average sales price, including options, of \$538,000 nationwide in fiscal 2024.

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

The following is a summary of our growth history:

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

1983 - Completed initial public offering.

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

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

1994 - Entered the Coastal Southern California market.

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

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

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

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

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

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

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

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

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

Geographic Breakdown of Markets by Segment

The Company markets and builds homes that are constructed in 17 of the nation's top 50 housing markets. We segregate our homebuilding operations geographically into the following three segments:

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

Southeast: Florida, Georgia and South Carolina

West: Arizona, California and Texas

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

Human Capital

As of October 31, 2024, we employed 1,878 full-time associates of whom 1,211 were involved in our homebuilding operations, 171 were involved in our financial services operations and 496 were involved in our corporate operations. We do not have collective bargaining agreements relating to any of our associates.

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

We believe that talented associates are the Company's greatest asset and play a key role in creating long-term value for our stakeholders. As of October 31, 2024, 17.1% of our associates had been with the Company for more than 15 years, and the average tenure of all associates was approximately 7.3 years. We understand that our ultimate success and ability to compete are significantly dependent on how well we identify, hire, train, and retain highly qualified personnel. We realize that each associate has a unique vision and their own special talents. We are committed to being an employer that fosters the growth of each associate, while building an inclusive and diverse workforce.

We believe that our focus on diversity and inclusion across the organization positions the Company to deliver innovation and growth. We have a diverse associate base comprised of 27.3% non-white associates as of October 31, 2024. Additionally, as of October 31, 2024, 43.6% of our associates were women, and women represent 38.5% of all associates in manager and more senior positions.

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

The Company is also a founding member of the Building Talent Foundation (“BTF”) whose mission is to advance the education, training and careers of people from underrepresented groups in the fields of skilled technical workers and as business owners in the residential construction industry. The Company actively utilizes BTF’s residential construction careers platform JobsToBuild to find new talent. In fiscal 2024, we extended our partnership and financial commitment with BTF for another two years.

Over the last three years, our leadership team has conducted quarterly Town Halls. These events have become a staple in the organization and serve as an opportunity for associates to hear from senior leadership candidly about our Company and directly ask questions of our CEO, CFO, Executive Vice President and Group Presidents. In fiscal 2023, the Company also introduced two new channels for engaging associates companywide, “Lunch & Learns” and “Coffee Chats”. The goal of these new platforms is to fuel our companywide objective to foster a culture of engagement and facilitate more two-way communication.

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

In light of the Company’s experience managing the novel coronavirus (“COVID-19”) pandemic and the recognition of the associated environmental benefits, the Company previously introduced a hybrid work schedule and continued its use throughout fiscal 2024, whereby most office associates may work two days a week from home. We believe this change to a hybrid work model promotes a healthier work and home life balance for our associates while simultaneously providing the environmental benefits of having fewer vehicles on the road. In addition to the weekly hybrid schedule, non-field associates can work remotely up to eight weeks a year.

We also have committed considerable resources to furthering our associates’ personal and professional growth. We have a repository of over 500 training modules/courses to facilitate these learning sessions in both in-person and virtual settings, including mandatory diversity, ethics, workplace harassment prevention, cybersecurity and safety training courses.

Corporate Offices and Available Information

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

Business Strategies

As a result of the sharp increase in interest rates that began in fiscal 2022, we have shifted our focus to increasing the availability of quick-move-in homes (“QMI homes”). The rationale behind this shift in focus is that QMI homes provide our customers with more certainty on what their mortgage payments will be at closing. QMI homes also allow us to offer customers mortgage rate buydowns that would be cost prohibitive on homes with a longer time until delivery. QMI homes greatly reduce the complexity of choices for our customers and significantly increase efficiencies for our trades, construction and purchasing teams. Beginning in fiscal 2023, we began executing “Build-For-Rent” agreements to supplement our existing for sale business. The Build-For-Rent sales channel added incremental deliveries during fiscal 2023 and fiscal 2024, which allowed us to increase inventory turnover.

We remain focused on maintaining adequate liquidity and identifying investment opportunities that make economic sense in light of our current sales prices and sales paces. Our excess liquidity in fiscal years 2024, 2023 and 2022 allowed us to repurchase \$113.5 million, \$245.0 million and \$100.0 million in aggregate principal of senior secured notes, respectively. Also, in May 2024, we completed a debt exchange resulting in a \$75.3 million principal reduction of our senior notes and term loans which included an aggregate cash payment of \$31.5 million. We also repurchased 188,800 shares of our Class A common stock with an aggregate market value of \$26.5 million in fiscal 2024. In response to changing market conditions, we have been strategic in new land purchases at pricing that we believe will generate appropriate investment returns needed to sustain profitability. After the past several years of concentrating on debt reduction, in fiscal 2024 we shifted our focus back to growth as a focal point. The housing market continues to be driven by positive fundamentals and as a result we increased our lot count, community count and spending on land and land development during the year. In addition, we intend to continue to focus on our historic key business strategies, as enumerated below. We believe that these strategies separate us from our competitors in the residential homebuilding industry and the adoption, implementation and adherence to these principles will continue to benefit our business.

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

As noted above, we offer a broad product array to provide housing to a wide range of customers. Our diverse product array includes single-family detached homes, attached townhomes and condominiums, urban infill and active lifestyle homes.

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

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

We prefer to use a risk-averse land acquisition strategy. We attempt to acquire land with a minimum cash investment and negotiate takedown options, thereby limiting the financial exposure to the amounts invested in property and predevelopment costs. This approach significantly reduces our risk and generally allows us to obtain necessary development approvals before acquisition of the land.

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

We manage our financial services operations to better serve all of our home buyers. Our current mortgage financing and title service operations enhance our contact with customers and allow us to coordinate the home-buying experience from beginning to end. Further, we are able to employ a range of pricing incentives through our mortgage financing operations, including temporary and permanent mortgage rate buy downs, which are tools that provide buyers with the opportunity to secure mortgage rates below market level.

Operating Policies and Procedures

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

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

Land Acquisition, Planning, and Development - Before entering into a contract to acquire land, we complete extensive comparative studies and analyses which assist us in evaluating the economic feasibility of such land acquisition.

- Where possible, we acquire land for future development through the use of land options, which need not be exercised before the completion of the regulatory approval process. We attempt to structure these options with flexible takedown schedules rather than with an obligation to take down the entire parcel upon receiving regulatory approval. If we are unable to negotiate flexible takedown schedules, we will buy parcels in a single bulk purchase. Additionally, we purchase improved lots in certain markets by acquiring a small number of improved lots with an option on additional lots. This allows us to minimize the economic costs and risks of carrying a large inventory of land, while maintaining our ability to commence new developments during favorable market periods.
- Our option and purchase agreements are typically subject to numerous conditions, including, but not limited to, our ability to obtain necessary governmental approvals for the proposed community. Generally, the deposit on the agreement will be returned to us if all approvals are not obtained, although predevelopment costs may not be recoverable. By paying an additional nonrefundable deposit, we have the right to extend a significant number of our options for varying periods of time. In most instances, we have the right to cancel any of our land option agreements by forfeiture of our deposit on the agreement. In fiscal 2024, 2023 and 2022, rather than purchase additional lots in underperforming communities, we took advantage of this right and walked away from 3,800 lots, 3,838 lots and 5,121 lots, respectively, out of 39,059 total lots, 28,227 total lots and 27,617 total lots, respectively, under option, resulting in charges to income before taxes of \$1.6 million, \$1.5 million and \$5.7 million, respectively.

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

Construction - We design and supervise the development and building of our communities. Our homes are constructed according to standardized prototypes, which are designed and engineered to provide innovative product design while attempting to minimize costs of construction. We generally employ subcontractors for the installation of site improvements and construction of homes. Agreements with subcontractors are generally short term and provide for a fixed price for labor and materials. We rigorously control costs through the use of computerized monitoring systems.

Because of the risks involved in speculative building, our general policy is to construct an attached condominium or townhouse building only after signing contracts for the sale of at least 50% of the homes in that building. Historically, a majority of our single-family detached homes were constructed after the signing of a sales contract and mortgage approval was obtained, which limits the buildup of inventory of unsold homes and the costs of maintaining and carrying that inventory. Beginning in fiscal 2022 and continuing through fiscal 2024, we have increased our inventory of QMI homes in connection with our current business strategy discussed above.

Materials and Subcontractors - We attempt to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, we generally contract with subcontractors to construct our homes. We have reduced construction and administrative costs by consolidating the number of vendors serving certain markets and by executing national purchasing contracts with select vendors. Due to the COVID-19 pandemic, we experienced construction delays from shortages in the supply of materials, as well as labor shortages in all of our markets. The impact and the particular materials associated with the delays varied from market to market. We have improved our cycle times since the beginning of fiscal 2023 by approximately 30 days but are still currently experiencing increased construction cycle times of 30-45 days over our pre-pandemic average in many of our markets. We cannot predict the extent to which shortages in necessary materials or labor will re-occur in our markets in the future.

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

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

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

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

During the year ended October 31, 2024, for the markets in which our mortgage subsidiaries originated loans, 25.1% of our home buyers paid in cash and 79.4% of our noncash home buyers obtained mortgages from our mortgage banking subsidiary. The loans we originated in fiscal 2024 were 64.0% conforming conventional loans and 35.4% Federal Housing Administration/Veterans Affairs (“FHA/VA”). The remaining 0.6% of our loan originations represented loans which exceeded conforming conventions.

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

Residential Development Activities

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

Information on housing revenues, homes delivered and average sales price by segment for the year ended October 31, 2024, is set forth below:

(Housing revenues in thousands)	Housing Revenues	Homes Delivered	Average Sales Price
Northeast	\$ 1,007,596	1,646	\$ 612,148
Southeast	447,804	878	510,027
West	1,420,088	2,824	502,864
Consolidated total	\$ 2,875,488	5,348	\$ 537,675
Unconsolidated joint ventures(1)	\$ 539,028	853	\$ 631,920

(1) Represents housing revenues and home deliveries for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 20 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a further discussion of our unconsolidated joint ventures.

Net Sales Contracts

The dollar value of our net sales contracts, excluding unconsolidated joint ventures, was \$2.8 billion and \$2.5 billion for the years ended October 31, 2024 and 2023, respectively, and the number of homes contracted increased 11.6% to 5,186 in fiscal 2024 from 4,647 in fiscal 2023.

Information on the dollar value of net sales contracts by segment for the years ended October 31, 2024 and 2023, is set forth below:

(In thousands)			Percentage of Change
	2024	2023	
Northeast	\$ 1,114,885	\$ 937,153	19.0%
Southeast	279,431	445,970	(37.3)%
West	1,367,203	1,126,011	21.4%
Consolidated total	\$ 2,761,519	\$ 2,509,134	10.1%
Unconsolidated joint ventures(1)	\$ 627,714	\$ 359,478	74.6%

(1) Represents net contract dollars for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 20 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a further discussion of our unconsolidated joint ventures.

Active Selling Communities

We ended fiscal 2024 with 130 active selling communities as compared to 113 active selling communities at October 31, 2023. The average number of active selling communities increased to 119 for fiscal 2024 from 114 for fiscal 2023.

Information on our active selling communities by segment as of October 31, 2024, is set forth below. Contracted not delivered and remaining homes available in our active selling communities are included in the consolidated total homesites under the total residential real estate chart in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	Communities	Approved Homes	Homes Delivered	Contracted Not Delivered(1)	Remaining Homes Available(2)
Northeast	49	7,376	2,572	782	4,022
Southeast	16	2,647	1,110	239	1,298
West	65	10,071	4,066	628	5,377
Total	130	20,094	7,748	1,649	10,697

(1) Includes 430 home sites under option.

(2) Of the total remaining homes available, 1,106 were under construction or completed (including 85 models and sales offices), and 6,601 were under option.

Backlog

At October 31, 2024 and 2023, including domestic unconsolidated joint ventures, we had a backlog of signed contracts for 2,052 homes and 2,196 homes, respectively, representing a 6.6% decrease, with sales values aggregating \$1.2 billion and \$1.3 billion, respectively. Our focus on QMI homes continues to result in higher backlog conversion. Additionally at October 31, 2024 and 2023, we had a backlog of signed contracts for 276 homes and 50 homes, respectively, from our unconsolidated joint venture in the Kingdom of Saudi Arabia. The majority of our backlog at October 31, 2024 is expected to be completed and closed within the next six to nine months.

Current base prices for our homes in contract backlog at October 31, 2024, range from \$62,000 to \$1,910,000 in the Northeast, from \$276,000 to \$1,177,000 in the Southeast and from \$250,000 to \$880,000 in the West.

At November 30, 2024 and 2023, our backlog of signed contracts, including domestic unconsolidated joint ventures, was 2,111 homes and 2,158 homes, respectively, with sales values aggregating \$1.3 billion for both periods. Additionally at November 30, 2024 and 2023, we had a backlog of signed contracts for 20 homes for both periods, from our unconsolidated joint venture in the Kingdom of Saudi Arabia. For information on our backlog excluding unconsolidated joint ventures, see the contract table in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Homebuilding: Key Performance Indicators.”

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

Residential Land Inventory in Planning

It is our objective to control a supply of land, primarily through options, whenever possible, consistent with anticipated homebuilding requirements in each of our housing markets. Controlled land (land owned and under option) as of October 31, 2024, exclusive of active selling communities and excluding unconsolidated joint ventures, is summarized in the following table. The proposed developable home sites in communities in planning are included in the 41,895 consolidated total home sites under the total residential real estate table in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Communities in Planning

(Dollars in thousands)	Number of Proposed Communities	Proposed Developable Home Sites	Total Land Option Price	Book Value (1)(2)
Northeast:				
Under option	126	14,570	\$ 1,131,465	\$ 52,083
Owned	7	206		\$ 7,861
Total	133	14,776		\$ 59,944
Southeast:				
Under option	43	5,300	\$ 388,777	\$ 37,110
Owned	11	324		\$ 39,249
Total	54	5,624		\$ 76,359
West:				
Under option	71	8,358	\$ 712,510	\$ 88,173
Owned	11	791		\$ 37,629
Total	82	9,149		\$ 125,802
Totals:				
Under option	240	28,228	\$ 2,232,752	\$ 177,366
Owned	29	1,321		\$ 84,739
Combined total	269	29,549		\$ 262,105

- (1) *Properties under option also includes costs incurred on properties not under option but which are under evaluation. For properties under option, as of October 31, 2024, option fees and deposits were \$125.0 million. As of October 31, 2024, we spent an additional \$52.4 million in nonrefundable predevelopment costs on such properties, including properties not under option but under evaluation.*
- (2) *The book value for properties under option includes land banking costs of \$23.6 million, which is included in “Consolidated inventory not owned” on our Consolidated Balance Sheets.*

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

Raw Materials

The homebuilding industry has from time-to-time experienced raw material and labor shortages. In particular, shortages and fluctuations in the price of lumber or other important raw materials has resulted in the past, and could result in the future, in start or completion delays or increases to the cost of developing one or more of our residential communities. We attempt to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, we generally contract with subcontractors to construct our homes. We have reduced construction and administrative costs by consolidating the number of vendors serving certain markets and by executing national purchasing contracts with select vendors. Labor and material shortages that were initially due to the COVID-19 pandemic have improved. For example, we previously experienced a significant rise in lumber prices caused by supply chain issues, but due to increased availability prices began to decrease during the second half of fiscal 2022 and into fiscal 2024. We cannot predict, however, the extent to which shortages in necessary raw materials or labor may occur in the future.

Seasonality

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

Competition

Our homebuilding operations are highly competitive. We are among the top 20 homebuilders in the United States in both homebuilding revenues and home deliveries. We compete with numerous real estate developers in each of the geographic areas in which we operate. Our competition ranges from small local builders to larger private regional builders to publicly owned builders and developers, some of which have greater sales and financial resources than we do. Previously owned homes and the availability of rental housing provide additional competition. We compete primarily on the basis of reputation, price, location, design, quality, service and amenities.

Regulation and Environmental Matters

We are subject to extensive and complex laws and regulations that affect the development of land and home building, sales and customer financing processes concerning zoning, building design, construction, and similar matters, including local regulations which impose restrictive zoning and density requirements in order to limit the number of homes that can eventually be built within the boundaries of a particular locality. In addition, we are subject to registration and filing requirements in connection with the construction, advertisement and sale of our communities in certain states and localities in which we operate even if all necessary government approvals have been obtained. We may also be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums that could be implemented in the future in the states in which we operate. Generally, such moratoriums relate to insufficient water or sewerage facilities or inadequate road capacity.

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

We are also subject to a variety of local, state, federal and foreign laws and regulations concerning protection of health and the environment, including those regulating the emission or discharge of materials into the environment, the management of storm water runoff at construction sites, the handling, use, storage and disposal of hazardous substances, impacts to wetlands and other sensitive environments, and the remediation of contamination at properties that we have owned or developed or currently own or are developing (“environmental laws”). The particular environmental laws which apply to any given community vary greatly according to the community site, the site’s environmental conditions and the present and former uses of the site. See Risk Factors – *“Homebuilders are subject to a number of federal, local, state, and foreign laws and regulations concerning the development of land and homebuilding, sales and customer financing processes and the protection of the environment, which can cause us to incur delays and costs associated with compliance and which can prohibit or restrict our activity in some regions or areas”*, Item 3 “Legal Proceedings” and Note 18 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

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

**ITEM 1A
RISK FACTORS**

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

Risk Relating to Our Business and Industry

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

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

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

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

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

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

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

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

Interest rates increased substantially in fiscal years 2022 and 2023 and remained volatile in 2024 leading to uncertainty in the market about the direction rates will go in the future. Because the large majority of our customers require mortgage financing, increases in interest rates or the decreased availability of mortgage financing could considerably impair the affordability of our homes, lower demand for our products, limit our marketing effectiveness and limit our ability to fully realize our backlog.

The large majority of our customers finance their acquisitions through lenders providing mortgage financing. Mortgage rates, up until recently, had been historically low, which made the homes we sell more affordable. Despite the Federal Reserve lowering interest rates in September and November 2024, mortgage rates have significantly increased since the beginning of fiscal year 2022 as a result of the Federal Reserve raising interest rates in an effort to curtail inflation during fiscal years 2023 and 2022. When interest rates increase, the cost to own a home increases, which reduces the number of potential homebuyers who can obtain mortgage financing and can result in a decline in the demand for our homes. We cannot predict whether interest rates will rise further, or the paces of any increases, but additional increases would likely have a considerable impact on housing demand.

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

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

Inflation can adversely affect us by increasing costs of land, materials and labor, which we experienced in fiscal years 2023 and 2022 due to a historic rise in interest rates. In addition, as discussed above, elevated levels of inflation accompanied by higher interest rates has caused in the past, and could in the future cause, a slowdown in the housing market. In an inflationary environment, such as the economic environment we have experienced recently, depending on the homebuilding industry and other economic conditions, we may be unable to raise home prices enough to keep up with the rate of inflation. Moreover, in an inflationary environment, our cost of capital, labor and materials can increase and the purchasing power of our cash resources can decline, which can have an adverse impact on our business or financial results. In an effort to counteract such inflationary pressures and maintain sales volumes in light of these challenges, we have offered increased sales incentives and mortgage rate buydowns for qualifying homebuyers, which reduces our profit margins. These measures may not be successful and if inflationary pressures remain an obstacle and do not continue to moderate, this could further impact our profitability.

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

The homebuilding industry experienced a significant and sustained downturn that began in 2007, during which the lowest volumes of housing starts were significantly below troughs in previous downturns. This downturn resulted in an industry-wide softening of demand for new homes due to a lack of consumer confidence, decreased availability of mortgage financing, and large supplies of resale and new home inventories, among other factors. In addition, an oversupply of alternatives to new homes, such as rental properties, resale homes and foreclosures, depressed prices and reduced margins for the sale of new homes. Industry conditions had a material adverse effect on our business and results of operations in fiscal 2007 through 2011. Further, we had substantially increased our inventory through fiscal 2006, which required significant cash outlays and which increased our price and margin exposure as we worked through this inventory. If the homebuilding industry experiences another significant or sustained downturn, it would materially adversely affect our business and results of operations in future years. During the second half of fiscal 2022 and into fiscal 2023, we experienced a decrease in housing demand due to a sharp increase in mortgage rates, a substantial increase in home prices resulting from the COVID-19 pandemic, significant inflation in the broader economy, stock market volatility, and other macro-economic conditions, which adversely impacted buyer sentiment and behavior.

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

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, floods or prolonged precipitation, droughts, fires and other environmental conditions have harmed us in the past, and may harm us in the future. During fiscal 2024, we experienced disruptions from Hurricane Beryl in Texas, our largest state in terms of deliveries. Additionally, the physical impacts of climate change may cause these occurrences to increase in frequency, severity and duration, which can delay home construction, increase costs by damaging inventories, reduce the availability of building materials, and adversely impact the demand for new homes in affected areas, as well as slow down or otherwise impair the ability of utilities and local governmental authorities to provide approvals and service to new housing communities. For example, wildfires in California and hurricanes in Texas and Florida in recent years have at various times caused utility company delays, slowing of our production process, increasing cost of operations and also impacting our sales and construction activity in affected markets during the related time periods. Additionally, other coastal areas where we operate face increased risks of adverse weather or natural disasters.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our backlog reflects agreements of sale with our home buyers for homes that have not yet been delivered. We have received a deposit from our home buyer for each home, which is reflected in our backlog, and we generally have the right to retain the deposit if the home buyer does not complete the purchase. In some situations, however, a home buyer may cancel the agreement of sale and receive a complete or partial refund of the deposit for reasons related to state and local law, an inability to obtain mortgage financing at prevailing interest rates (including financing arranged or provided by us), an inability to sell their current home, or our inability to complete and deliver the new home within the specified time. At October 31, 2024, including unconsolidated joint ventures, we had a backlog of signed contracts for 2,328 homes with a sales value aggregating \$1.3 billion. If mortgage financing becomes less accessible, or if economic conditions deteriorate, more home buyers may cancel their agreements of sale with us, which could have an adverse effect on our business and results of operations.

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

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

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

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

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

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

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

In addition, the homebuilding industry has been subject to increasing consolidation, which could result in existing competitors increasing their market share, create new competitors through business combinations and/or result in stronger competitors. We may be unable to compete successfully in an increasingly consolidated industry and cannot predict how industry consolidation will affect us.

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

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

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

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

We use information technology ("IT"), digital telecommunications and other computer resources to conduct important operational activities and to maintain our business records. In addition, we rely on the systems of third parties, such as third-party vendors. Our computer systems, including our backup systems, and those of the third parties on whose systems we rely, are subject to damage or interruption from computer and telecommunications failures, computer viruses, power outages, security breaches (including through phishing attempts, data-theft and cyber-attack), ransomware attacks, usage errors by our associates or other business partners or outside service providers, and catastrophic events, such as fires, floods, hurricanes and tornadoes. Cyber-attacks and other security threats could originate from a wide variety of external sources, including cyber-criminals, nation-state hackers, hacktivists and other outside parties. Cyber-attacks and other security threats could also originate from the malicious or accidental acts of insiders, such as employees, and other business partners and outside service providers.

As part of our normal business activities, we collect and store certain personal identifying and confidential information relating to our homebuyers, employees, vendors and suppliers, and maintain operational and financial information related to our business. We may share some of this confidential information with our vendors. We rely on our vendors and third-party service providers to maintain effective cybersecurity measures to keep our information secure. If our computer systems and our backup systems, or those of the third parties on whose systems we rely, are breached, compromised or damaged, or otherwise cease to function properly, we could suffer interruptions in our operations or the misappropriation of proprietary, personal identifying or confidential information, including information about our business partners and home buyers. Our or our vendors' and third-party service providers' failure to maintain the security of the data we are required to protect could result in damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also in deterioration in customers' confidence in us and other competitive disadvantages.

Data protection and privacy laws have been enacted by the U.S. federal and state governments, including the California Privacy Rights Act and the Virginia Consumer Data Protection Act, and the regulatory regime continues to evolve and is increasingly demanding. Many states have passed or are considering privacy and security legislation and there are ongoing discussions regarding a federal privacy law. Variations in requirements across other states could present compliance challenges, as well as increased costs related to compliance.

Privacy, security, and compliance concerns have continued to increase as technology has evolved. We maintain cybersecurity insurance coverage, which may not fully cover the costs related to cyber or other security threats or disruptions, and have implemented systems and processes intended to secure our IT systems and prevent unauthorized access to or loss of sensitive, confidential and personal data, including through the use of encryption and authentication technologies as well as prevent the diversion or theft of company funds through various forms of social engineering. Additionally, we have increased our monitoring capabilities to enhance early detection and rapid response to potential security anomalies. These measures, which require ongoing monitoring and updating as technologies change and efforts to overcome security measures are continually evolving and have become increasingly sophisticated, are costly and may not be effective in preventing or mitigating significant negative occurrences or irregularities in our systems or those of third parties on whose systems we rely. In addition, cyber-attacks or other security breaches may persist undetected over extended periods of time and may not be mitigated in a timely manner to minimize the impact of a cyber-attack or other security breach. While, to date, we have not had a significant cybersecurity breach or attack that has a material impact on our business or results of operations, our efforts to maintain the security and integrity of our IT networks and related systems may not be effective and attempted security breaches or disruptions could be successful or damaging.

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

Our reputation and brand are critical to our success. Unfavorable media related to our industry, company, brand, personnel, operations, business performance, or prospects may impact our stock price and the performance of our business, regardless of its accuracy or inaccuracy. The speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites, “tweets,” and blogs. Our success in maintaining and expanding our brand image depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our homes, which would adversely affect our business.

Global economic and political instability and conflicts could adversely affect our business, financial condition or results of operations.

Our business could be adversely affected by unstable economic and political conditions within the United States, instability in foreign jurisdictions and geopolitical conflicts. While we do not have any customer or direct supplier relationships in any of the foreign countries or regions involved in the current military conflicts, any related sanctions, export controls or actions that may be initiated by nations (e.g., potential cyberattacks, disruption of energy flows, etc.) and other potential uncertainties could adversely affect our supply chain by causing shortages or increases in costs for materials necessary to construct homes and/or increases to the price of gasoline and other fuels. In addition, a new public health crisis such as a major epidemic or pandemic, such as COVID-19, could cause multiple disruptions in our supply chain and result in shortages in certain building materials and tightness in the labor market, which could cause our construction cycle times to lengthen. Such events could cause higher interest rates, inflation or general economic uncertainty, which could negatively impact our business partners, employees or customers, or otherwise adversely impact our business.

Risks Related to Our Debt and Liquidity

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

We have a significant amount of debt.

- Our debt (excluding nonrecourse secured debt and debt of our financial subsidiaries), as of October 31, 2024, including the debt of the subsidiaries that guarantee our debt, was \$881.6 million (\$896.2 million net of discounts, premiums and debt issuance costs). Additionally, we have a \$125.0 million senior secured revolving credit facility, which was fully available for borrowing as of October 31, 2024.
- Our debt service payments for the year ended October 31, 2024, were \$291.4 million, which represented interest incurred and payments on the principal of our debt and does not include principal and interest on nonrecourse secured debt, debt of our financial subsidiaries or fees under our letters of credit and other credit facilities and agreements.

As of October 31, 2024, we had an aggregate of \$2.6 million outstanding under various letters of credit and other credit facilities and agreements, certain of which were collateralized by \$3.2 million of cash. Our fees for these letters of credit for the year ended October 31, 2024, which are based on both the used and unused portion of the facilities and agreements, were \$0.1 million. We also had substantial contractual commitments and contingent obligations, including \$225.7 million of performance bonds as of October 31, 2024. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations.”

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

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

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

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

We are largely dependent on our current cash balance and future cash flows from operations (which may not be positive) to enable us to service our indebtedness, to cover our operating expenses and/or to fund our other liquidity needs. Cash provided by operating activities in fiscal 2024 and 2023 was \$23.6 million and \$435.3 million, respectively. Depending on the levels of our land purchases, we could generate positive or negative cash flow in future years. If there is a sustained decline in market conditions in the homebuilding industry over the next several years, our cash flows could be insufficient to fund our obligations and support land purchases, and if we cannot buy additional land, we would ultimately be unable to generate future revenues from the sale of houses. If our cash flows and capital resources are insufficient to fund our debt service obligations or we are unable to refinance our indebtedness, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure our indebtedness. These alternative measures may not be successful or, if successful, made on desirable terms and may not permit us to meet our debt service obligations. We have also entered into certain cash collateralized letters of credit agreements and facilities that require us to maintain specified amounts of cash in segregated accounts as collateral to support our letters of credit issued thereunder. If our available cash and capital resources are insufficient to meet our debt service and other obligations, we could face liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or the proceeds from the dispositions may not be permitted under the terms of our debt instruments to be used to service indebtedness or may not be adequate to meet any debt service obligations then due. For additional information about capital resources and liquidity, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity.”

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

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

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

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

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

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

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

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

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

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

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

Regulatory and Legal Risks

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

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

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

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

We may be liable for claims for damages as a result of use of hazardous materials.

As a homebuilding and land development business with a wide variety of historical homebuilding, land development, and construction activities, we could be liable for future claims for damages as a result of the past or present use of hazardous materials, including building materials or fixtures known or suspected to be hazardous, to contain hazardous materials, or to be associated with mold. Any such claims may adversely affect our business, prospects, financial condition or operating results. Insurance coverage for such claims may be limited or non-existent.

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

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

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

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

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

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

Risks Related to Our Organization and Structure

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

We currently operate through a number of unconsolidated homebuilding joint ventures with independent third parties in which we do not have a controlling interest. At October 31, 2024, we had invested an aggregate of \$142.9 million in these unconsolidated joint ventures, including outstanding net advances to these unconsolidated joint ventures of \$2.4 million. In addition, as part of our strategy, we intend to continue to evaluate additional joint venture opportunities; however, we may be limited in pursuing all such desirable opportunities because the indentures governing our outstanding debt securities and agreements governing our credit facilities impose certain restrictions, among others, on investments by us and certain of our subsidiaries (including in joint ventures).

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

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

The combined ownership of members of the Hovnanian family, including Ara K. Hovnanian, our Chairman of the Board, President, and Chief Executive Officer, through personal holdings, the limited partnership and the limited liability company established for members of Mr. Hovnanian's family and family trusts of Class A and Class B common stock, enables them to exert significant control over us, including power to control the election of the Board of Directors and to approve matters presented to our stockholders. Such holdings represented approximately 58% of the votes that could be cast by the holders of our outstanding Class A and Class B common stock combined as of October 31, 2024. This concentration of ownership may also make some transactions, including mergers or other changes in control, more difficult or impossible without their support. Also, because of their combined voting power, circumstances may occur in which their interests could be in conflict with the interests of other stakeholders.

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

Based on past impairments and our financial performance in prior years, we generated a federal net operating loss carryforward of \$398.8 million through the year ended October 31, 2024, and we may generate net operating loss carryforwards in future years.

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

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

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

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

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

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

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

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 1C CYBERSECURITY

Risk Management and Strategy

As part of our Enterprise Risk Management function, which is led by our Chief Financial Officer, we have implemented processes to assess, identify and manage material risks facing the Company, including from cyber threats. In fulfilling his Enterprise Risk Management responsibilities, our Chief Financial Officer collaborates closely with members of senior management and others, including outside experts. Our cybersecurity program maps to standards published by The National Institute of Standards and Technology. We believe that our processes provide us with a comprehensive assessment of potential cyber threats. On a regular basis, we conduct scans, penetration tests and vulnerability assessments of our systems. Our processes to assess, identify and manage the material risks from cyber threats includes risks arising from threats associated with third-party service providers, including cloud-based platforms.

We have developed a robust Cybersecurity Incident Response Plan which provides a documented framework for assessing cyber threats, managing high severity security incidents and facilitating coordination across multiple platforms throughout the Company and with outside agencies like the Federal Bureau of Investigation. Our cybersecurity team uses advanced tools to constantly monitor emerging threats and respond to potential cybersecurity incidents. In addition, we periodically perform simulations and drills, including tabletop exercises, aimed at evaluating the Company's cybersecurity preparedness.

Internally, we have a Cybersecurity Awareness Program which includes annual training that reinforces our information technology and security policies, standards and practices. Our annual training includes education on how to identify potential cybersecurity risks and ways to protect our resources and information. This training is mandatory for all associates on an annual basis, and it is supplemented by testing initiatives, including periodic phishing tests. In addition, we distribute ongoing educational communications, such as newsletters on cybersecurity awareness and hot topics, throughout the year. We also provide additional specialized security training for our cybersecurity operations team, including attendance at cybersecurity conferences and training seminars, breach simulation exercises and personal accreditation training.

From time to time, we engage third-party vendors or service providers to enhance our risk mitigation efforts. For instance, we have periodically engaged an independent cybersecurity advisor to lead a live cybersecurity crisis simulation exercise with our senior management to prepare for a possible cybersecurity incident. In addition, we have engaged other outside assessors, consultants and third parties in connection with enhancing our cybersecurity program. We purchase insurance to protect us against the risk of cybersecurity breaches. Our Enterprise Risk Management function, along with our insurance broker, are responsible for our insurance programs and on a consistent basis our cybersecurity insurance policies are reviewed to assess whether we have appropriate coverage. Enterprise Risk Management also presents updates on our cybersecurity liability insurance to our Board of Directors, including industry claims data and benchmarking.

To date, risks from cybersecurity threats have not materially affected us, and we currently do not expect that the risks from cybersecurity threats are reasonably likely to materially affect us, including our business, strategy, results of operations or financial condition. That said, the sophistication of cyber threats continues to increase, and the preventative actions the Company takes to reduce the risk of cyber incidents and protect its systems and information may be insufficient. No matter how well designed or implemented the Company's cybersecurity controls are, it will not be able to anticipate all security breaches, and it may not be able to implement effective preventive measures against cybersecurity breaches in a timely manner. See Item 1A "Risk Factors — Information technology failures and data security breaches could harm our business."

Governance

Role of the Board

Our Enterprise Risk Management function is part of our Board of Directors' overall risk management oversight process, which includes regular meetings to identify and evaluate both short and long-term risks and develop plans to manage such risks effectively. In addition, our Board of Directors established a Cybersecurity Subcommittee of the Corporate Governance and Nominating Committee of the Board of Directors in fiscal 2018 that receives regular updates from our cybersecurity operations team to assess the primary cybersecurity risks facing the Company, including, among other things, the status of projects to strengthen our information security systems, results of assessments performed as part of our Cybersecurity Awareness Program, the measures the Company is taking to mitigate cybersecurity risks and our views of the emerging threat landscape. Reports from outside experts who have been engaged by the Company to review and advise on cybersecurity preparedness are also shared with the Cybersecurity Subcommittee. The Cybersecurity Subcommittee regularly reports to the Board of Directors on the oversight work the subcommittee has performed.

Additionally, the Audit Committee of the Board of Directors is responsible for the primary oversight of our Enterprise Risk Management function, which includes an evaluation of cybersecurity risks and threats. In addition to the updates the Cybersecurity Subcommittee provides the Board of Directors, the Board of Directors and Audit Committee receive regular updates from management, including the Chief Information Officer and members of his team, as to changes in our cybersecurity risk profile and/or significant newly identified risks. Our Chief Financial Officer reports directly to both the Audit Committee as well as our Chairman, Chief Executive Officer and President and is responsible for reporting to each on our Company-wide Enterprise Risk Management function.

Role of Management

Our Chief Information Officer, together with our cybersecurity operations team, maintains 24/7 monitoring and is responsible for the day-to-day procedures related to our cybersecurity risks. We have established an Executive Incident Response Team, which includes our Chief Financial Officer, Chief Information Officer, Vice President, Risk Management, Vice President, Corporate Counsel and other senior officers, which meets at least bi-annually to review our cybersecurity posture and discuss information security matters. The Executive Incident Response Team has primary oversight responsibility for assessing and managing technology and operational risk, including but not limited to, information security, fraud, vendor, data protection and privacy, business continuity and resilience, and cybersecurity risks.

We use our Cybersecurity Incident Response Plan as part of the process to keep our management, Board of Directors, Audit Committee and Cybersecurity Subcommittee informed about, and to monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents. The policy is a set of coordinated procedures and tasks that our cybersecurity operations team, under the direction of the Chief Information Officer, executes with the goal of preventing cyber incidents through early detection. In the event there is a cybersecurity incident, the framework is designed to help mitigate the impact and ensure a timely and accurate response. Our cybersecurity framework includes regular assessments to ensure we are following our internal policies and standards, as well as applicable state and federal statutes or regulations. In addition, we validate compliance with our internal data security controls through the use of security monitoring utilities and internal and external audits.

Our Cybersecurity management team has extensive experience in the information technology area, including cybersecurity. In particular, our Chief Information Officer has over 25 years of experience managing information technology systems and eight years of experience leading cybersecurity initiatives in the information security area.

**ITEM 2
PROPERTIES**

We rent approximately 62,000 square feet of office space for our corporate headquarters and own 215,000 square feet of office and warehouse space in the Northeast. We lease approximately 278,000 square feet of space for our segments located in the Northeast, Southeast and West.

**ITEM 3
LEGAL PROCEEDINGS**

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

**ITEM 4
MINE SAFETY DISCLOSURES**

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

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

PART II

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

Our Class A common stock is traded on the New York Stock Exchange under the symbol “HOV” and was held by 199 stockholders of record at December 12, 2024. There is no established public trading market for our Class B common stock, which was held by 148 stockholders of record at December 12, 2024. If a stockholder desires to sell shares of Class B common stock (other than to Permitted Transferees (as defined in the Company’s amended Certificate of Incorporation)), such stock must be converted into shares of Class A common stock at a one-to-one conversion rate.

Recent Sales of Unregistered Equity Securities

None.

Issuer Purchases of Equity Securities

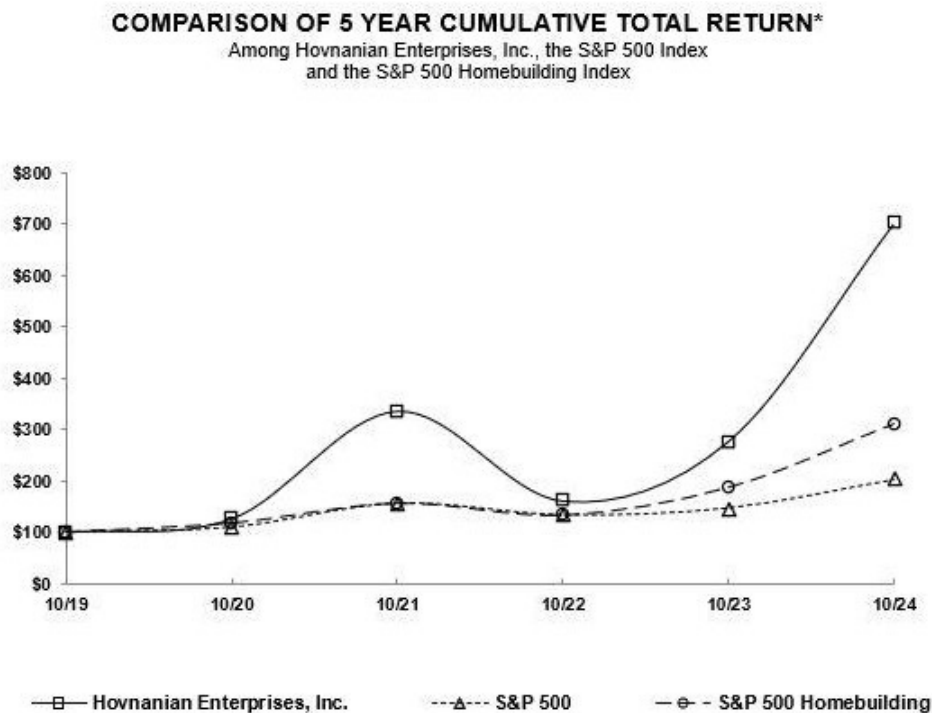
None.

Performance Graph

This performance graph shall not be deemed “soliciting material” or “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.

The following graph compares the five-year cumulative total return of our Class A common stock with the Standard & Poor’s (“S&P”) 500 Index and the S&P Homebuilding Index. The graph assumes \$100 invested on October 31, 2019 in our Class A common stock, the S&P 500 Index and the S&P Homebuilding Index, and the reinvestment of all dividends.

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



Source: Standard & Poor’s, a division of S&P Global.

	10/19	10/20	10/21	10/22	10/23	10/24
Hovnanian Enterprises, Inc.	100.00	126.63	335.96	160.81	277.03	701.91
S&P 500	100.00	109.71	156.79	133.88	147.46	203.52
S&P Homebuilding	100.00	117.37	155.67	132.48	186.63	310.37

**ITEM 6
RESERVED**

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

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

The following tables and related discussion set forth key operating and financial data for our homebuilding and financial services operations as of and for the fiscal years ended October 31, 2024 and 2023. For similar operating and financial data and discussion of our fiscal 2023 results compared to our fiscal 2022 results, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the fiscal year ended October 31, 2023, which was filed with the SEC on December 18, 2023.

Key Performance Indicators

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

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

Overview

Market Conditions and Operating Results

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

From January 2022 to October 2023, 30-year mortgage rates more than doubled. The sharp increase in interest rates, persistently high levels of inflation and doubt about the stability of the economy, negatively impacted housing demand beginning in the second half of fiscal 2022 and into fiscal 2023. During the first quarter of fiscal 2024, mortgage rates declined, which had a positive effect on our sales pace. Rates fluctuated for the remainder of fiscal 2024 and affordability generally remains challenging for homebuyers. We have been aggressive in our pricing, incentives and concessions in order to align with the current market.

We continue to use our increased inventory of quick move-in homes (“QMI homes”) to help meet buyers’ needs for more affordable housing in the recent uncertain interest rate environment. The time between contract signing and closing is shorter with a QMI home as compared to a to be built home, which provides customers with more certainty on their mortgage pricing. The availability of QMI homes also allows us to offer mortgage interest rate buydown assistance, which is a tool we offer through our wholly-owned mortgage banking subsidiary (“K. Hovnanian Mortgage”), to help ease the impact of higher monthly payments from rising interest rates. We pay the cost of interest rate buydowns for customers that qualify through K. Hovnanian Mortgage and decide to use the program. The level of interest rate based incentives utilized differs across our markets and is one of several available options we use to drive sales and close homes.

The number of existing home sales listings are at all-time low levels, which limits the supply of homes available for purchase, leading to increased demand for new homes, which leads to improved pricing power. During fiscal 2024, there was stronger demand for our homes as compared to the prior year, which led to a significant increase in net contracts and net contracts per average active selling community. We were able to increase net prices in approximately 34% of our communities during the fourth quarter of fiscal 2024.

There still remains a great degree of uncertainty due to inflation, the continued possibility of an economic recession, employment risk and the potential for further mortgage rate increases. While we continue to experience some lingering supply chain issues, we remain focused on continuing to shorten our construction cycle times and building on our national initiatives to drive down costs with our material providers and trade partners. The changing conditions in the housing market, and in the general economy, make it difficult to predict how strongly our business will be impacted by these external factors over fiscal 2025 and beyond.

Our cash position allowed us to spend \$995.4 million on land purchases and land development for long-term growth during fiscal 2024, and still have total liquidity of \$338.2 million, including \$210.0 million of homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility as of October 31, 2024.

Additional information on our results for the year ended October 31, 2024 were as follows:

- For the year ended October 31, 2024, sale of homes revenues increased 9.3% as compared to the prior year, primarily due to a 9.6% increase in homes delivered, partially offset by a 0.3% decrease in average sales price. The increase in deliveries in fiscal 2024 was primarily the result of a 15.0% increase in community count as well as an increase in QMI contracts.
- Homebuilding gross margin percentage decreased from 19.6% for the year ended October 31, 2023 to 18.7% for the year ended October 31, 2024, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, decreased from 22.7% for the year ended October 31, 2023 to 22.0% for the year ended October 31, 2024. The decreases were primarily due to the increased use of incentives and concessions, including additional mortgage interest rate buydowns, to make our homes more affordable.

- Selling, general and administrative expenses (including corporate general and administrative) increased \$37.5 million for the year ended October 31, 2024 as compared to the prior year, however, as a percentage of total revenue, such costs were relatively flat at 11.4% for the year ended October 31, 2024 compared to 11.1% for the year ended October 31, 2023. The increase was primarily due to an increase in advertising expenses and compensation expense, mainly related to increased headcount and annual merit increases, along with grants of phantom stock awards under our 2019, 2023 and 2024 long-term incentive plans, for which expense is impacted by the change in our stock price each period. The increase in headcount is in preparation for growth in community count and deliveries in fiscal 2025.
- Other interest decreased to \$30.8 million for the year ended October 31, 2024 from \$54.1 million for the year ended October 31, 2023, primarily due to a reduction in principal of our senior notes as a result of redemptions during fiscal 2023 and the first quarter of fiscal 2024, and the debt exchange executed in the third quarter of fiscal 2024.
- Income before income taxes increased to \$317.1 million for the year ended October 31, 2024 from \$256.0 million for the year ended October 31, 2023. Net income increased to \$242.0 million for the year ended October 31, 2024 from \$205.9 million for the year ended October 31, 2023. Net income for the years ended October 31, 2024 and 2023, included gains of \$45.7 million and \$19.1 million, respectively, from the consolidation of previously unconsolidated joint ventures. Net income for the year ended October 31, 2023 included a \$25.6 million loss on extinguishment of debt.
- Earnings per share, basic and diluted, increased to \$34.40 and \$31.79, respectively, for the year ended October 31, 2024, compared to earnings per share, basic and diluted of \$28.76 and \$26.88, respectively, for the year ended October 31, 2023.
- Net contracts increased 11.6% to 5,186 for the year ended October 31, 2024, compared to 4,647 in the prior year, primarily driven by demand for new homes resulting from the low supply of existing homes for sale and overall growth in the broader economy. Included in the year ended October 31, 2024 and 2023, respectively, were 276 and 438 build-for-rent contracts. Net contracts, including domestic unconsolidated joint ventures, increased 16.1% to 6,007 for the year ended October 31, 2024, from 5,172 in fiscal 2023.
- Net contracts per average active selling community increased to 43.6 for the year ended October 31, 2024 compared to 40.8 in the prior year. The increase was due to the increase in net contracts discussed above.
- Active selling communities increased to 130 at October 31, 2024 compared to 113 at October 31, 2023, and our total lots controlled increased to 41,891 at October 31, 2024 compared to 31,726 at October 31, 2023. We expect our community count will continue to grow in fiscal 2025.
- Contract backlog decreased from 1,824 homes at October 31, 2023 to 1,649 homes at October 31, 2024, and the dollar value of contract backlog decreased to \$936.8 billion, a 11.7% decrease in dollar value compared to the prior year. Our backlog conversion ratio has increased from the prior year due to our focus on having more QMI homes available to sell and deliver.

Results of Operations

Total Revenues

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

(Dollars in thousands)	Year Ended October 31,		
	2024	Variance 2024 Compared to 2023	2023
Homebuilding:			
Sale of homes	\$ 2,875,488	\$ 245,031	\$ 2,630,457
Land sales	42,757	(5,460)	48,217
Other revenues	12,609	(4,645)	17,254
Financial services	74,064	13,976	60,088
Total change	\$ 3,004,918	\$ 248,902	\$ 2,756,016
Total revenues percent change		9%	

Homebuilding: Sale of Homes

Sale of homes revenues increased \$245.0 million, or 9.3%, for the year ended October 31, 2024, compared to the prior year. The increased revenues in fiscal 2024 were primarily due to a 9.6% increase in homes delivered, partially offset by the average sales price per home decreasing slightly to \$537,675 in fiscal 2024 from \$539,249 in fiscal 2023. The increase in deliveries in fiscal 2024 was primarily the result of community count increasing, along with an increase in our backlog conversion ratio. The decrease in average sales price in fiscal 2024 was primarily due to the geographic and community mix of our deliveries. For further detail on changes in segment revenues see “Homebuilding Operations by Segment” below. Land sales are ancillary to our homebuilding operations and are expected to continue in the future but may fluctuate significantly up or down. For further detail on land sales and other revenues, see the section titled “Homebuilding: Land Sales and Other Revenues” below.

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

(Dollars in thousands, except average sales price)	Year Ended	
	October 31, 2024	October 31, 2023
Consolidated total:		
Housing revenues	\$ 2,875,488	\$ 2,630,457
Homes delivered	5,348	4,878
Average sales price	\$ 537,675	\$ 539,249
Unconsolidated joint ventures:(1)		
Housing revenues	\$ 539,028	\$ 765,653
Homes delivered	853	2,771
Average sales price	\$ 631,920	\$ 276,309

(1) Represents housing revenues and home deliveries for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. During the fourth quarter of fiscal 2023, we delivered 2,176 homes in our unconsolidated joint venture in the Kingdom of Saudi Arabia. See Note 20 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a further discussion of our joint ventures.

Homebuilding: Land Sales and Other Revenues

Land sales and other revenues decreased \$10.1 million for the year ended October 31, 2024, compared to the prior year. Other revenues include interest income, which decreased as a result of lower rates on cash and cash equivalent accounts beginning in the first quarter of fiscal 2024 compared to the prior year. Revenue associated with land sales can vary significantly due to the mix of land parcels sold. There were six land sales during the year ended October 31, 2024, compared to four in the prior year.

Homebuilding: Cost of Sales

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

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

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

(Dollars in thousands)	Year Ended	
	October 31, 2024	October 31, 2023
Sale of homes	\$ 2,875,488	\$ 2,630,457
Cost of sales, excluding interest expense and land charges	2,241,749	2,032,136
Homebuilding gross margin, before cost of sales interest expense and land charges	633,739	598,321
Cost of sales interest expense, excluding land sales interest expense	87,717	79,894
Homebuilding gross margin, after cost of sales interest expense, before land charges	546,022	518,427
Land charges	8,903	1,536
Homebuilding gross margin	\$ 537,119	\$ 516,891
Homebuilding gross margin percentage	18.7%	19.6%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	22.0%	22.7%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	19.0%	19.7%

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

	Year Ended	
	October 31, 2024	October 31, 2023
Sale of homes	100.0%	100.0%
Cost of sales, excluding interest expense and land charges:		
Housing, land and development costs	68.6%	67.9%
Commissions	3.2%	3.4%
Financing concessions	2.5%	2.1%
Overheads	3.7%	3.9%
Total cost of sales, before interest expense and land charges	78.0%	77.3%
Cost of sales interest	3.0%	3.0%
Land charges	0.3%	0.1%
Homebuilding gross margin percentage	18.7%	19.6%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	22.0%	22.7%
Homebuilding gross margin percentage, after cost of sales interest expense and before land charges	19.0%	19.7%

We sell a variety of home types in various communities, each yielding a different gross margin. As a result, depending on the mix of communities delivering homes, consolidated gross margin may fluctuate up or down. Total homebuilding gross margin percentage decreased to 18.7% for the year ended October 31, 2024 compared to 19.6% for the prior year. Total homebuilding gross margin percentage, before cost of sales interest expense and land charges decreased to 22.0% for the year ended October 31, 2024 compared to 22.7% for the prior year. The decreases in gross margins were primarily due to increases in our use of incentives and concessions, including additional mortgage interest rate buydowns, to make our homes more affordable.

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

(In thousands)	Year Ended	
	October 31, 2024	October 31, 2023
Land and lot sales	\$ 42,757	\$ 48,217
Cost of sales, excluding interest	21,635	20,664
Land and lot sales gross margin, excluding interest	21,122	27,553
Land and lot sales interest expense	2,090	926
Land and lot sales gross margin, including interest	\$ 19,032	\$ 26,627

Homebuilding: Inventory Impairments and Land Option Write-offs

Inventory impairments and land option write-offs reflect certain inventories we have either written off or written down to their estimated fair value totaling \$11.6 million and \$1.5 million in expense for the years ended October 31, 2024 and 2023, respectively. During the years ended October 31, 2024 and 2023, we wrote off residential land option, approval and engineering costs totaling \$1.6 million and \$1.5 million, respectively. Land option, approval and engineering costs are written off when a community's pro forma profitability is not projected to produce an adequate return on investment commensurate with the risk. If we determine an adequate return is not probable, we cancel the option, or when a community is redesigned, we write off the engineering costs related to the initial design. Such write-offs occurred across each of our segments in fiscal 2024 and 2023. Inventory impairments were \$10.0 million in the aggregate for the year ended October 31, 2024 for two communities in our Northeast segment and two communities in our West segment. We did not record any inventory impairments for the year ended October 31, 2023. It is difficult to predict future impairments, but if conditions in the overall housing industry or a specific geographic market worsen in the future beyond our current expectations, there are future changes in our business strategy that significantly affect the key assumptions used in our projections of future cash flows, and/or there are material changes in any other items we consider in assessing recoverability, we may need to recognize additional inventory impairments and any such charges could be material.

In fiscal 2024, we walked away from 9.7% of all the lots we controlled under option contracts. The remaining 90.3% of our option lots are in communities that we believe remain economically feasible.

The following table represents lot option walk-aways by segment for the year ended October 31, 2024:

(Dollars in millions)	Dollar Amount of Walk Away	Number of Walk- Away Lots	% of Walk- Away Lots	Total Option Lots(1)	Walk- Away Lots as a % of Total Option Lots
Northeast	\$ 0.4	427	11.2%	18,078	2.4%
Southeast	0.9	1,748	46.0%	8,103	21.6%
West	0.3	1,625	42.8%	12,878	12.6%
Total	\$ 1.6	3,800	100.0%	39,059	9.7%

(1) Includes lots optioned at October 31, 2024 and lots optioned that the Company walked away from in the year ended October 31, 2024.

Homebuilding: Selling, General and Administrative

Homebuilding selling, general and administrative ("SGA") expenses remained nearly flat with a \$0.9 million increase to \$202.5 million for the year ended October 31, 2024, compared to the prior fiscal year.

Homebuilding: Key Performance Indicators

Net Contracts Per Average Active Selling Community

Net contracts per average active selling community in fiscal 2024 were 43.6 compared to 40.8 in fiscal 2023, a 6.9% increase in sales pace per community. Our reported level of sales contracts (net of cancellations) was impacted by an increase in our active selling communities and an increase in customer demand partially due to the increased availability of QMI homes.

Contract Cancellation Rates

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

Quarter	2024	2023	2022	2021	2020
First	14%	30%	14%	17%	19%
Second	14%	18%	17%	16%	23%
Third	17%	16%	27%	16%	18%
Fourth	18%	25%	41%	15%	18%

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

Quarter	2024	2023	2022	2021	2020
First	10%	16%	8%	11%	14%
Second	13%	16%	9%	9%	20%
Third	12%	12%	8%	6%	21%
Fourth	15%	13%	13%	6%	14%

Most cancellations occur within the legal rescission period, which varies by state but is generally less than two weeks after the signing of the contract. Cancellations also occur as a result of a buyer's failure to qualify for a mortgage, which generally occurs during the first few weeks after signing. Due to our solid backlog position, our cancellation rate as a percentage of beginning backlog for the fourth quarter of fiscal 2024 was 15%, which approximates our historical normal rate. When sales pace is increasing, the cancellation rate as a percentage of beginning backlog tends to lag the changes seen in our cancellation rate as a percentage of gross sales. Market conditions, although continuing to improve, still remain uncertain and it is difficult to predict what cancellation rates will be in the future.

Contract Backlog

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

(Dollars in thousands)	October 31, 2024	October 31, 2023
Northeast: (1)(2)(3)		
Total contract backlog	\$ 531,481	\$ 420,100
Number of homes	782	617
Southeast: (3)		
Total contract backlog	\$ 121,974	\$ 304,251
Number of homes	239	615
West: (3)		
Total contract backlog	\$ 283,377	\$ 336,263
Number of homes	628	592
Totals: (1)(2)(3)		
Total consolidated contract backlog	\$ 936,832	\$ 1,060,614
Number of homes	1,649	1,824

- (1) Reflects the reclassification of 88 homes and \$74.2 million of contract backlog as of July 31, 2024 from an unconsolidated joint venture to the consolidated Northeast segment. This is related to the assets and liabilities acquired from a joint venture the company closed out during the three months ended July 31, 2024.
- (2) Reflects the reclassification of 38 homes and \$32.3 million of contract backlog as of April 30, 2023 from an unconsolidated joint venture to the consolidated Northeast segment. This is related to the assets and liabilities acquired from a joint venture the Company closed out during the three months ended April 30, 2023.
- (3) Reflects the reclassification of 90 homes and \$73.7 million, 59 homes and \$33.0 million, and 12 homes and \$5.7 million of contract backlog from the consolidated Northeast, Southeast and West segments, respectively, to an unconsolidated joint venture as of July 31, 2023. This is related to the assets and liabilities contributed to a joint venture by the Company during the three months ended July 31, 2023.

Contract backlog dollars decreased 11.7% as of October 31, 2024 compared to October 31, 2023, and the number of homes in backlog decreased 9.6% for the same period. The decrease in backlog dollars and number of homes for the year ended October 31, 2024 compared to the prior fiscal year was primarily driven by an increase in sales of QMI homes and improved contract backlog conversion.

Homebuilding Operations by Segment

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

(Dollars in thousands, except average sales price)	Year Ended October 31,		
	2024	Variance 2024 Compared to 2023	2023
Northeast			
Homebuilding revenue	\$ 1,036,049	\$ 67,198	\$ 968,851
Income before income taxes	\$ 190,477	\$ 11,961	\$ 178,516
Homes delivered	1,646	28	1,618
Average sales price	\$ 612,148	\$ 35,414	\$ 576,734
Southeast			
Homebuilding revenue	\$ 448,902	\$ 28,606	\$ 420,296
Income before income taxes	\$ 77,613	\$ (137)	\$ 77,750
Homes delivered	878	102	776
Average sales price	\$ 510,027	\$ (30,767)	\$ 540,794
West			
Homebuilding revenue	\$ 1,437,894	\$ 141,902	\$ 1,295,992
Income before income taxes	\$ 123,246	\$ 9,162	\$ 114,084
Homes delivered	2,824	340	2,484
Average sales price	\$ 502,864	\$ (11,486)	\$ 514,350

Homebuilding Results by Segment

Northeast – Homebuilding revenues increased 6.9% in fiscal 2024 compared to fiscal 2023, primarily due to a 1.7% increase in homes delivered and a 6.1% increase in average sales price. The increase in average sales price was the result of new communities delivering higher priced, larger single family homes and condominiums in higher-end submarkets of the segment in fiscal 2024 compared to some communities delivering lower priced, smaller single family homes and townhomes in lower-end submarkets of the segment in fiscal 2023, which were no longer delivering in the current year.

Income before income taxes increased \$12.0 million to \$190.5 million in fiscal 2024 compared to fiscal 2023, primarily due to the increase in homebuilding revenue discussed above and a \$1.1 million decrease in SGA, while gross margin percentage remained relatively flat.

Southeast – Homebuilding revenues increased 6.8% in fiscal 2024 compared to fiscal 2023, primarily due to a 13.1% increase in homes delivered, partially offset by a 5.7% decrease in average sales price. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes, townhomes and build-for-rent homes in lower-end submarkets of the segment in fiscal 2024 compared to some communities in fiscal 2023 that had higher priced, larger single family homes and townhomes in mid to higher-end submarkets, which were no longer delivering in the current year.

Income before income taxes remained relatively flat, with a \$0.1 million decrease to \$77.6 million in fiscal 2024 compared to fiscal 2023. There was a slight decrease in gross margin percentage in fiscal 2024 compared to fiscal 2023.

West – Homebuilding revenues increased 10.9% in fiscal 2024 compared to fiscal 2023, primarily due to a 13.7% increase in homes delivered, partially offset by a 2.2% decrease in average sales price. The decrease in average sales price was mainly the result of new communities delivering lower priced, smaller single family homes in lower-end submarkets of the segment in fiscal 2024 compared to some communities in fiscal 2023 that had higher priced, larger single family homes and condominiums in mid to higher-end submarkets, which were no longer delivering in the current year.

Income before income taxes increased \$9.2 million to \$123.2 million in fiscal 2024 compared to fiscal 2023, primarily due to the increase in homebuilding revenue discussed above and a \$5.7 million increase in income from unconsolidated joint ventures, while gross margin percentage remained relatively flat.

Financial Services

Financial services consists primarily of originating mortgages for our home buyers, selling such mortgages in the secondary market, and title insurance activities. We use mandatory investor commitments and forward sales of mortgage-backed securities (“MBS”) to hedge our mortgage-related interest rate exposure on agency and government loans. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk associated with MBS forward commitments and loan sales transactions is managed by limiting our counterparties to investment banks, federally regulated bank affiliates and other investors meeting our credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments. For the years ended October 31, 2024 and 2023, our conforming conventional loan originations as a percentage of our total loans were 64.0% and 69.8%, respectively. FHA/VA loans represented 35.4% and 29.5%, respectively, of our total loans. The remaining 0.6% and 0.7% of our loan originations represent loans which exceed conforming conventions. Realized gains and losses relating to the sale of mortgage loans are recognized when control passes to the buyer of the mortgage.

During the years ended October 31, 2024 and 2023, financial services provided \$24.1 million and \$19.4 million of income before income taxes, respectively. In fiscal 2024, financial services income before income taxes increased \$4.7 million from the prior year primarily due to an increase in the volume of loans closed and an increase in the average size of the loans settled. In the markets served by our wholly owned mortgage banking subsidiaries, 79.4% and 70.1% of our noncash home buyers obtained mortgages originated by these subsidiaries during the years ended October 31, 2024 and 2023, respectively.

Corporate General and Administrative

Corporate general and administrative expenses include payroll, stock compensation, facility costs and rent and other costs associated with our executive offices, legal expenses, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, national and digital marketing, construction services and administration of insurance, quality and safety. Corporate general and administrative expenses increased \$36.5 million for the year ended October 31, 2024 compared to the year ended October 31, 2023, primarily due to an increase in compensation expense, mainly related to increased headcount and annual merit increases and increased expense related to grants of phantom stock awards under our 2019, 2023 and 2024 long-term incentive plans, for which expense is impacted by the change in our stock price each period. In addition, since the 2024 long-term incentive plan was new in the current year this resulted in incremental stock compensation expense when compared to the prior year.

Other Interest

Other interest decreased \$23.3 million to \$30.8 million for the year ended October 31, 2024 compared to the year ended October 31, 2023. Our assets that qualify for interest capitalization (inventory under development) exceeded our debt during the third quarter of fiscal 2024, therefore, all of the related interest incurred during fiscal 2024 qualified for interest capitalization instead of being directly expensed. Also contributing to the decrease in Other interest was the reduction in principal of our senior notes as a result of redemptions during fiscal 2023 and the first quarter of fiscal 2024, and the debt exchange executed in the third quarter of fiscal 2024.

Gain (Loss) on Extinguishment of Debt, Net

On November 15, 2023, we redeemed in full all of the \$113.5 million aggregate principal amount of our 10.0% Senior Secured 1.75 Lien Notes due 2025 for a redemption price of \$119.2 million, which included accrued and unpaid interest. This redemption resulted in a gain on extinguishment of debt of \$1.4 million, including the write-off of unamortized premiums, debt issuance costs and fees.

On May 30, 2023, we redeemed \$100.0 million aggregate principal amount of our 7.75% Senior Secured 1.125 Lien Notes due 2026 (the “Existing 1.125 Lien Notes”). The aggregate purchase price for this redemption was \$104.2 million, which included accrued and unpaid interest and was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$4.1 million, including the write-off of unamortized debt issuance costs and fees.

On August 29, 2023, we redeemed an additional \$100.0 million aggregate principal amount of our Existing 1.125 Lien Notes. The aggregate purchase price for this redemption was \$102.2 million, which included accrued and unpaid interest and was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$3.8 million, including the write-off of unamortized debt issuance costs and fees.

On September 7, 2023, we repurchased in the open market \$45.0 million aggregate principal amount of our 10.0% Senior Secured 1.75 Lien Notes due 2025. The aggregate purchase price for this repurchase was \$46.7 million, which included accrued and unpaid interest and which was funded with cash on hand. This repurchase resulted in a gain on extinguishment of debt of \$0.2 million, including the write-off of unamortized debt issuance costs and fees.

On October 5, 2023, we issued new 8.0% Senior Secured 1.125 Lien Notes due 2028 (the “New 1.125 Lien Notes”) and new 11.75% Senior Secured 1.25 Lien Notes due 2029 (the “New 1.25 Lien Notes”) and redeemed with the proceeds from the issuances of the New 1.125 Lien Notes and New 1.25 Lien Notes all of the remaining (i) \$50.0 million aggregate principal amount of our Existing 1.125 Lien Notes for a redemption price of \$51.5 million, which included accrued and unpaid interest, (ii) \$282.3 million aggregate principal amount of our 10.5% Senior Secured 1.25 Lien Notes due 2026 for a redemption price of \$293.9 million, which included accrued and unpaid interest, and (iii) \$162.3 million aggregate principal amount of our 11.25% Senior Secured 1.5 Lien Notes due 2026 for a redemption price of \$164.8 million, which included accrued and unpaid interest. These redemptions resulted in a loss on extinguishment of debt of \$17.9 million, including the write-off of unamortized debt issuance costs and fees.

Income from Unconsolidated Joint Ventures

Income from unconsolidated joint ventures consists of our share of the earnings or losses of our joint ventures. Income from unconsolidated joint ventures increased to \$52.3 million for the year ended October 31, 2024 from income of \$43.2 million for the year ended October 31, 2023. The increase of \$9.1 million in fiscal 2024 was primarily due to the recognition of additional income from two of our unconsolidated joint ventures; because the joint venture partner achieved certain return hurdles, the Company was able to recognize a higher share of the unconsolidated joint venture’s income than it had in the prior year.

Income Taxes

Income tax expense of \$75.1 million and \$50.1 million for the years ended October 31, 2024 and 2023, respectively, was primarily driven by federal and state tax expense on income before income taxes and non-deductible executive compensation expense, partially offset by the generation of energy efficient home tax credits. Income tax expense for fiscal years 2024 and 2023 also reflected the favorable impact of releasing state valuation allowances. The federal tax expense is not paid in cash as it is offset by the use of our existing net operating loss (“NOL”) carryforwards.

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

As of October 31, 2024, we considered the weight of all available positive and negative evidence to determine the valuation allowance for DTAs of \$55.7 million. See Note 11 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further information.

Deferred tax assets, net, of \$241.0 million at October 31, 2024 decreased \$61.8 million from October 31, 2023, due primarily to the utilization of our DTAs to offset tax expense on taxable income during fiscal 2024.

Contractual Obligations

The following summarizes our aggregate contractual commitments at October 31, 2024:

(In thousands)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long term debt (1)(2)(3)	\$ 1,280,870	\$ 90,863	\$ 202,032	\$ 950,211	\$ 37,764
Operating leases	38,663	11,133	17,687	5,758	4,085
Total	\$ 1,319,533	\$ 101,996	\$ 219,719	\$ 955,969	\$ 41,849

- (1) Represents our senior secured and unsecured term loan credit facilities, senior secured and senior notes and other notes payable and \$399.3 million of related interest payments for the life of such debt.
- (2) Does not include \$90.7 million of nonrecourse mortgages secured by inventory. These mortgages have various maturities spread over the next two to three years and are paid off as homes are delivered.
- (3) Does not include the mortgage warehouse lines of credit made under our Master Repurchase Agreements. See "Capital Resources and Liquidity" for further discussion. Also, does not include our \$125.0 million Secured Credit Facility under which there were no borrowings outstanding as of October 31, 2024.

We had outstanding letters of credit and performance bonds of \$2.6 million and \$225.7 million, respectively, at October 31, 2024, related primarily to our obligations to local governments to construct roads and other improvements in various developments. We do not believe that any such letters of credit or performance bonds are likely to be drawn upon.

Capital Resources and Liquidity*Overview*

Our total liquidity at October 31, 2024 was \$338.2 million, including \$210.0 million in homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility. This was above our target liquidity range of \$170.0 to \$245.0 million. We believe that our cash on hand together with available borrowings on our senior secured revolving credit facility will be sufficient through fiscal 2025 to finance our working capital requirements.

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

Operating, Investing and Financing Cash Flow Activities

We spent \$995.4 million on land and land development during fiscal 2024. After land and land development spending and all other operating activities, including revenue received from deliveries, we had \$23.6 million in cash provided by operations. During fiscal 2024, cash used in investing activities was \$46.5 million, primarily due to a new joint venture entered into during the period, along with spending on capitalized software, partially offset by distributions of capital from existing unconsolidated joint ventures. Cash used in financing activities was \$187.9 million during fiscal 2024, which was primarily due to a \$113.5 million redemption of our senior secured notes, net payments of \$31.5 million related to the May 2024 debt exchange, net payments for nonrecourse mortgage financings, treasury stock purchases and payments of preferred dividends, partially offset by net proceeds from our mortgage warehouse lines of credit, land banking financings and model sale leaseback financings. We intend to continue to use nonrecourse mortgages, model sale leasebacks, joint ventures, and, subject to covenant restrictions in our debt instruments, land banking programs as our business needs dictate.

Our cash uses during the years ended October 31, 2024 and 2023 were for operating expenses, land purchases, land deposits, land development, construction spending, debt payments, model sale leasebacks, land banking transactions, state income taxes, interest payments, preferred dividend payments, financing transaction costs, debt and equity repurchases, litigation matters and investments in unconsolidated joint ventures. During these periods, we provided for our cash requirements from available cash on hand, housing and land sales, financing transactions, nonrecourse mortgage transactions, income from unconsolidated joint ventures, financial service revenues and other revenues.

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

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

Debt Transactions

Senior secured notes, senior notes and credit facilities balances as of October 31, 2024 and October 31, 2023, were as follows:

(In thousands)	October 31, 2024	October 31, 2023
Senior Secured Notes:		
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025 (1)	\$ -	\$ 113,502
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	225,000	225,000
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	430,000	430,000
Total Senior Secured Notes	\$ 655,000	\$ 768,502
Senior Notes:		
13.5% Senior Notes due February 1, 2026 (2)	\$ 26,588	\$ 90,590
5.0% Senior Notes due February 1, 2040 (2)	24,968	90,120
Total Senior Notes	\$ 51,556	\$ 180,710
Senior Unsecured Term Loan Credit Facility due February 1, 2027 (2)	\$ -	\$ 39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (2)	\$ 175,000	\$ 81,498
Senior Secured Revolving Credit Facility (3)	\$ -	\$ -
Subtotal senior notes and credit facilities	\$ 881,556	\$ 1,070,261
Net premiums (discounts)	\$ 17,340	\$ (14,563)
Unamortized debt issuance costs	\$ (2,678)	\$ (4,207)
Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs	\$ 896,218	\$ 1,051,491

(1) On November 15, 2023, K. Hovnanian redeemed all of its \$113.5 million aggregate principal amount of 10.0% Senior Secured 1.75 Lien Notes due November 15, 2025.

(2) On May 21, 2024, K. Hovnanian exchanged \$64.0 million aggregate principal amount of 13.5% Senior Notes due February 1, 2026 and cash, \$65.2 million aggregate principal amount of 5.0% Senior Notes due February 1, 2040 and all of its \$39.6 million aggregate principal amount of loans under the Senior Unsecured Term Loan Credit Facility due February 1, 2027 and cash for an additional \$93.5 million aggregate principal amount of loans under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028.

(3) At October 31, 2024, provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. The revolving loans thereunder have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term secured overnight financing rate (subject to a floor of 3.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate (subject to a floor of 4.00%) plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

Except for K. Hovnanian, the issuer of the notes and borrower under the credit agreements governing our term loans and revolving credit facilities (collectively, the "Credit Facilities"), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding at October 31, 2024 (collectively, the "Notes Guarantors").

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together with the Credit Facilities, the "Debt Instruments") outstanding at October 31, 2024 do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur (including through exchanges or certain other types of transactions) indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans (the "Secured Term Loans") made under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028, and loans (the "Secured Revolving Loans") made under the Senior Secured Revolving Credit Agreement due June 30, 2026, or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of October 31, 2024, we believe we were in compliance with the covenants of the Debt Instruments.

If our consolidated fixed charge coverage ratio is less than 2.0 to 1.0, as defined in the applicable Debt Instrument, we are restricted from making certain payments and dividends (in the case of certain of such payments, our secured debt leverage ratio must also be less than 4.0 to 1.0), and from incurring indebtedness other than certain permitted indebtedness and nonrecourse indebtedness. Beginning as of October 31, 2021, as a result of our improved operating results, we were no longer restricted from paying dividends. As such, we have made dividend payments of \$2.7 million to preferred shareholders in every quarter since the first quarter of fiscal 2022. We currently believe our ratios will permit us to continue to make dividend payments on our preferred stock. However, with general economic uncertainty, it is difficult to predict long-term market conditions and the effects on our business and if and when we may be restricted under our Debt Instruments from continuing to pay dividends on our Series A preferred stock. Dividends on the Series A preferred stock are not cumulative and, accordingly, if for any reason we do not declare a dividend on the Series A preferred stock for a quarterly dividend period (regardless of our availability of funds), holders of the Series A Preferred Stock will have no right to receive a dividend for that period, and we will have no obligation to pay a dividend for that period.

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

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

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

Mortgages and Notes Payable

We have nonrecourse mortgage loans for certain communities totaling \$90.7 million and \$91.5 million, net of debt issuance costs, at October 31, 2024 and October 31, 2023, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$249.7 million and \$331.6 million, respectively. The weighted-average interest rate on these obligations was 8.7% and 8.5% at October 31, 2024 and October 31, 2023, respectively, and the mortgage loan payments on each community primarily correspond to home deliveries.

K. Hovnanian Mortgage originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are generally sold in the secondary mortgage market within a short period of time. K. Hovnanian Mortgage finances the origination of mortgage loans through various master repurchase agreements, which are recorded in “Financial services” liabilities on the Consolidated Balance Sheets. The loans are secured by the mortgages held for sale and are repaid when we sell the underlying mortgage loans to permanent investors. As of October 31, 2024 and 2023, we had an aggregate of \$131.4 million and \$110.8 million, respectively, outstanding under several of K. Hovnanian Mortgage’s short-term borrowing facilities.

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

Equity

On September 1, 2022, our Board of Directors authorized a repurchase program for up to \$50.0 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date. During the year ended October 31, 2024, we repurchased 188,800 shares, with a market value of \$26.5 million, or \$140.31 per share. During the year ended October 31, 2023, we repurchased 118,478 shares, with a market value of \$4.8 million, or \$40.51 per share. Share repurchases are added to “Treasury stock” on our Consolidated Balance Sheets. As of October 31, 2024, \$6.5 million of our Class A common stock is available for repurchase under our share repurchase program.

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on the Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the Company’s common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A preferred stock. The depositary shares are listed on the NASDAQ Global Market under the symbol “HOVNP.” During both fiscal 2024 and 2023 we paid dividends of \$10.7 million on the Series A preferred stock.

Unconsolidated Joint Ventures

We have investments in unconsolidated joint ventures in various markets where our homebuilding operations are located. As of October 31, 2024 and 2023, we had investments in six and seven unconsolidated homebuilding joint ventures, respectively, and one unconsolidated land development joint venture as of October 31, 2023. Our unconsolidated joint ventures had total combined assets of \$845.1 million and \$884.4 million at October 31, 2024 and 2023, respectively. Our investments in unconsolidated joint ventures totaled \$142.9 million and \$97.9 million at October 31, 2024 and 2023, respectively. The increase in our investments of \$45.0 million was primarily due to a new joint venture formed during the year, along with income recognized from existing joint ventures, partially offset by the consolidation of a previously unconsolidated joint venture.

As of October 31, 2024 and 2023, our unconsolidated joint ventures had outstanding debt totaling \$88.7 million and \$101.1 million, respectively, under separate construction loan agreements with different third-party lenders and affiliates of certain investment partners to finance land development activities. The outstanding debt is secured by the underlying property and related project assets and is non-recourse to us. Although we and our unconsolidated joint venture partners provide certain guarantees and indemnities to the lender, we do not have a guaranty or any other obligation to repay the outstanding debt or to support the value of the collateral underlying the outstanding debt. Our guarantees are limited to performance and completion of development activities, environmental indemnification and standard warranty and representation against fraud, misrepresentation and similar actions, including voluntary bankruptcy. We do not believe that our existing exposure under our guaranty and indemnity obligations related to the outstanding debt is material.

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

Inventories

Total inventory, excluding consolidated inventory not owned, increased \$309.4 million during the year ended October 31, 2024 from October 31, 2023. Total inventory, excluding consolidated inventory not owned, increased in the Northeast by \$155.1 million, in the Southeast by \$2.8 million and in the West by \$151.5 million. The increases were primarily attributable to new land purchases and land development during the period, along with an increase in inventory from the consolidation of a previously unconsolidated joint venture. The increases were partially offset by home deliveries and land sales. In addition, our sold and unsold homes have increased as we focus on building more QMI homes. In the last few years, we have been able to acquire new land parcels at prices that we believe will generate reasonable returns under current homebuilding market conditions. This trend may not continue in either the near or the long term. Substantially all homes under construction or completed and included in inventory at October 31, 2024 are expected to close during the next six to nine months.

Consolidated inventory not owned, which consists of options related to land banking and model financing, decreased \$13.8 million during fiscal 2024. The decrease was primarily due to a decrease in land banking transactions, partially offset by an increase in the sale and leaseback of certain model homes during the period. We have land banking arrangements, whereby we sell land parcels to land bankers and they provide us an option to purchase back finished lots on a predetermined schedule. Because of our options to repurchase these parcels, these transactions are considered a financing rather than a sale. Our Consolidated Balance Sheet, at October 31, 2024, included inventory of \$164.9 million recorded to "Consolidated inventory not owned," with a corresponding amount of \$94.1 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions. In addition, we sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement and the ability to repurchase model homes with below market options, these sale and leaseback transactions are considered a financing rather than a sale. Therefore, our Consolidated Balance Sheet, at October 31, 2024, included inventory of \$46.1 million recorded to "Consolidated inventory not owned," with a corresponding amount of \$46.2 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from sale and leaseback transactions.

In the ordinary course of business, we enter into land and lot option purchase contracts in order to procure land or lots for the construction of homes. Lot option contracts enable us to control significant lot positions with a minimal capital investment and substantially reduce the risks associated with land ownership and development. At October 31, 2024, we had total cash deposits of \$264.8 million to purchase land and lots with a total purchase price of \$3.0 billion. Our financial exposure is generally limited to forfeiture of the nonrefundable deposits, letters of credit and other nonrefundable amounts incurred. We have no material third-party guarantees.

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

	Total Home Sites	Contracted Not Delivered	Remaining Home Sites Available
October 31, 2024:			
Northeast	19,580	782	18,798
Southeast	7,161	239	6,922
West	15,154	628	14,526
Consolidated total	41,895	1,649	40,246
Unconsolidated joint ventures (1)			
Owned	6,632	1,215	5,417
Optioned	35,259	430	34,829
Construction to permanent financing lots	4	4	-
Consolidated total	41,895	1,649	40,246
October 31, 2023:			
Northeast	14,161	617	13,544
Southeast	5,935	615	5,320
West	11,658	592	11,066
Consolidated total	31,754	1,824	29,930
Unconsolidated joint ventures (1)			
Owned	7,337	1,442	5,895
Optioned	24,389	354	24,035
Construction to permanent financing lots	28	28	-
Consolidated total	31,754	1,824	29,930

(1) Represents active communities and home sites for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 20 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a further discussion of our unconsolidated joint ventures.

The following table summarizes our started or completed unsold homes and models, excluding unconsolidated joint ventures, in active selling communities. The increase in unsold homes was primarily due to a conscious effort to increase the number of QMI homes per community to provide buyers the opportunity to lock in a lower mortgage rate by closing quickly, thereby making our homes more affordable and creating certainty as mortgage rates continued to fluctuate during fiscal 2024.

	October 31, 2024			October 31, 2023		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast	259	35	294	159	41	200
Southeast	135	19	154	99	16	115
West	627	31	658	570	24	594
Total	1,021	85	1,106	828	81	909
Started or completed unsold homes and models per active selling communities(1)	7.9	0.6	8.5	7.3	0.7	8.0

(1) Active selling communities (which are communities that are open for sale with ten or more home sites available) were 130 and 113 at October 31, 2024 and 2023, respectively. This ratio does not include substantially completed communities, which are communities with less than ten home sites available.

Financial Services Assets and Liabilities

Financial services assets consist primarily of residential mortgage receivables held for sale of which \$147.2 million and \$127.6 million at October 31, 2024 and 2023, respectively, were being temporarily warehoused and are awaiting sale in the secondary mortgage market. The increase in mortgage loans held for sale from October 31, 2023 was primarily related to an increase in the volume of loans originated during the fourth quarter of fiscal 2024 compared to the fourth quarter of fiscal 2023, along with an increase in the average loan value.

Financial services liabilities increased \$34.9 million from \$148.2 million at October 31, 2023, to \$183.1 million at October 31, 2024. The increase was primarily due to the increase in amounts outstanding under our mortgage warehouse lines of credit, and directly correlated to the increase in the volume of mortgage loans held for sale.

Inflation

The annual rate of inflation in the United States was 2.6% in October 2024, as measured by the Consumer Price Index, which is much improved from its peak of 9.1% in June 2022. Inflation has a long-term effect, because of higher costs of land, materials and labor results in increasing the sale prices of our homes. Historically, these price increases have been commensurate with the general rate of inflation in our housing markets and have not had a significant adverse effect on the sale of our homes. A significant risk faced by the housing industry generally is that rising house construction costs, including land and interest costs, could substantially outpace increases in the income of potential purchasers and therefore limit our ability to raise home sales prices, which may result in lower gross margins.

Inflation has a lesser short-term effect, because we generally negotiate fixed-price contracts with many, but not all, of our subcontractors and material suppliers for the construction of our homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between three to 12 months. Construction costs for residential buildings represented approximately 53% of our homebuilding cost of sales for fiscal year 2024.

Critical Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unconsolidated Homebuilding and Land Development Joint Ventures - Investments in unconsolidated entities in which the Company has significant influence over the operating and financial decisions of the entity, but holds less than a controlling financial interest, are accounted for by the equity method. In all periods presented, our investments in unconsolidated homebuilding and land development joint ventures are accounted for under the equity method. Under the equity method, we recognize our proportionate share of income and loss earned by the joint venture upon the delivery of lots or homes to third parties. Our ownership interests in joint ventures vary but our voting equity interests held are generally 20% to 50%. In determining whether or not we must consolidate joint ventures where we are the managing member of the joint venture, we assess whether the other partners have specific rights to overcome the presumption of control by us as the manager of the joint venture. In most cases, the presumption is overcome because the joint venture agreements require that both partners agree on establishing the significant operating and capital decisions of the partnership, including budgets, in the ordinary course of business. The evaluation of whether or not we control a joint venture can require significant judgment. In accordance with ASC 323, "Investments - Equity Method and Joint Ventures" we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment below its carrying amount is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected cash flows.

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

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

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

Recent Accounting Pronouncements

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

Safe Harbor Statement

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

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

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

ITEM 7A
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Substantially all of our long term-debt requires fixed interest payments and we have limited exposure to variable rates. In connection with our mortgage operations, mortgage loans held for sale and the associated mortgage warehouse lines of credit under our Master Repurchase Agreements are subject to interest rate risk; however, such obligations repriced frequently and are short-term in duration. In addition, we hedge the interest rate risk on mortgage loans by obtaining forward commitments from private investors. Accordingly, the interest rate risk from mortgage loans is not significant. We do not use financial instruments to hedge interest rate risk except with respect to mortgage loans. The following table sets forth as of October 31, 2024, our long-term debt obligations, principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair value ("FV").

Long-Term Debt as of October 31, 2024 by Fiscal Year of Debt Maturity

(Dollars in thousands)	2025	2026	2027	2028	2029	Thereafter	Total	FV at 10/31/2024
Long term debt(1)(2):								
Fixed rate	\$ -	\$ 26,588	\$ -	\$ 400,000	\$ 430,000	\$ 24,968	\$ 881,556	\$ 934,175
Weighted-average interest rate	-%	13.50%	-%	8.88%	11.75%	5.00%	10.31%	

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

(2) Does not include \$90.7 million of nonrecourse mortgages secured by inventory. These mortgages have various maturities spread over the next two to three years and are paid off as homes are delivered. In addition, does not include our \$125.0 million Secured Credit Facility under which there were no borrowings outstanding as of October 31, 2024. The revolving loans thereunder have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term secured overnight financing rate (subject to a floor of 3.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate (subject to a floor of 4.00%) plus an applicable margin of 3.50%. In addition, K. Hovnanian pays an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

ITEM 8
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements of Hovnanian Enterprises, Inc. and its consolidated subsidiaries are set forth herein beginning on page 66.

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

None.

ITEM 9A CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2024. Based upon that evaluation and subject to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures are effective to accomplish their objectives.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended October 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

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

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of October 31, 2024.

The effectiveness of the Company's internal control over financial reporting as of October 31, 2024 has been audited by Deloitte & Touche LLP, the Company's independent registered public accounting firm, as stated in their report below.

ITEM 9B OTHER INFORMATION

Appointment of Treasurer

On December 16, 2024, the Company's Board of Directors appointed Paul Eberly to the position of Treasurer of the Company, effective January 1, 2025. Brad G. O'Connor, the Company's current Chief Financial Officer and Treasurer, will serve as Treasurer through December 31, 2024 and will continue to serve as Chief Financial Officer of the Company following the effective date of Mr. Eberly's appointment.

Repurchase Program

On December 18, 2024, our Board of Directors authorized an incremental increase to our repurchase program. Under the repurchase program, as increased by the Board of Directors, inclusive of any amounts remaining under the existing repurchase authorization initially authorized by the Board of Directors on September 1, 2022, we are authorized to repurchase up to \$26.5 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date.

ITEM 9C DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

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

The information called for by Item 10, except as set forth in this Item 10, is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 27, 2025, which will involve the election of directors.

Information About Our Executive Officers

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

Name	Age	Position	Year Started With Company
Ara K. Hovnanian	67	Chairman of the Board, Chief Executive Officer, President and Director of the Company	1979
Brad G. O'Connor	54	Chief Financial Officer and Treasurer	2004
Alexander Hovnanian	34	Executive Vice President, National Homebuilding Operations	2012
Michael Wyatt	58	Group President	2015

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

Mr. O'Connor was appointed Chief Financial Officer in November 2023 and Senior Vice President and Treasurer in April 2020. He held the position of Chief Accounting Officer from May 2011 until October 2023. He joined the Company as Vice President, Associate Corporate Controller in May 2004, and was promoted to Corporate Controller in December 2007. Prior to joining the Company, Mr. O'Connor was the Corporate Controller for Amershem Biosciences, a global biotech company, and was a Senior Manager in the audit practice of PricewaterhouseCoopers LLP.

Mr. Alexander Hovnanian has held the position of Executive Vice President, National Homebuilding Operations since March 2020. He joined the Company full-time in 2012 and has held various positions in the Company's homebuilding operations. He attended Harvard Business School from 2014 to 2016 and after obtaining his MBA, he returned to employment with the Company. In November 2017, Mr. Hovnanian was appointed Area President followed by a promotion to Division President of the Northeast Division in December 2018.

Mr. Wyatt has been Group President of the East Group operations since May 2020. He held the position of Region President of the California Region from June 2019 to May 2020. He joined the Company as Division President of the Northern California Division in September 2015. Prior to joining the Company, Mr. Wyatt spent 16 years with Centex Corporation ("Centex Homes") and six years with the PulteGroup, Inc. ("Pulte Homes"). He held Division President roles in Myrtle Beach, South Carolina, Las Vegas, Nevada, and Northern California for Centex Homes. After the merger of Centex Homes and Pulte Homes, Mr. Wyatt continued in the corporate office for Pulte Homes, where he spent six years managing home building operations rising to Senior Vice President of Home Building Operations when he left to join the Company.

Code of Ethics and Corporate Governance Guidelines

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

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

We have posted our Code of Ethics on our web site at www.khov.com under "Investor Relations/Corporate Governance." We have also posted our Corporate Governance Guidelines on our web site at www.khov.com under "Investor Relations/Corporate Governance." We will post amendments to or waivers from our Code of Ethics that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange (the "NYSE") on our web site at www.khov.com under "Investor Relations/Corporate Governance."

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

We have adopted charters that apply to the Company's Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. We have posted the text of these charters on our web site at www.khov.com under "Investor Relations/Corporate Governance."

ITEM 11 EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 27, 2025.

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

EQUITY COMPENSATION PLAN INFORMATION

The information called for by Item 12, except as set forth in this Item 12, is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 27, 2025.

The following table provides information as of October 31, 2024, with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

Plan Category	Number of Class A Common Stock securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Number of Class B Common Stock securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted average exercise price of outstanding Class A Common Stock options, warrants and rights (2) (b)	Weighted average exercise price of outstanding Class B Common Stock options, warrants and rights (3) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in columns (a) (4) (c)
Equity compensation plans approved by security holders:	590,940	645,166	\$ 32.04	\$ 29.98	541,154
Equity compensation plans not approved by security holders:	-	-	-	-	-
Total	590,940	645,166	\$ 32.04	\$ 29.98	541,154

(1) Includes the maximum number of shares that are potentially issuable under the PSUs granted in fiscal year 2024 and the maximum number of shares that are potentially issuable under the 2023 and 2024 Long-Term Incentive programs under the 2020 Plan.

(2) Does not take into account 228,257 shares that may be issued upon the vesting of restricted stock and performance-based awards discussed in (1) above, nor 1,758 shares of restricted stock vested but not yet issued nor 283,511 shares of restricted stock deferred due to mandatory hold requirements, in each case, because they have no exercise price.

(3) Does not take into account 358,015 shares that may be issued upon the vesting of the performance-based awards discussed in (1) above nor 233,551 shares of restricted stock deferred due to mandatory hold requirements, in each case, because they have no exercise price.

(4) Under the Company's equity compensation plans, securities may be issued in either Class A Common Stock or Class B Common Stock.

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

The information called for by Item 13 is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 27, 2025.

**ITEM 14
PRINCIPAL ACCOUNTANT FEES AND SERVICES**

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

Further information called for by Item 14 is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A in connection with our annual meeting of shareholders to be held on March 27, 2025.

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

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements

See the "Index" to the Consolidated Financial Statements commencing on page 63 of this Form 10-K.

(2) Financial Statement Schedules

No schedules have been prepared because the required information of such schedules is not present, is not present in amounts sufficient to require submission of the schedule, or because the required information is included in the financial statements and notes thereto.

(3) Exhibits

See the "Exhibit Index" beginning on page 56 of this Form 10-K.

Exhibits:

- 3(a) [Restated Certificate of Incorporation of the Registrant \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed March 29, 2019\).](#)
- 3(b) [Amended and Restated Bylaws of the Registrant \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2021 of the Registrant filed September 9, 2021\).](#)
- 4(a) [Specimen Class A Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed March 29, 2019\).](#)
- 4(b) [Specimen Class B Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed March 29, 2019\).](#)
- 4(c) [Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock of Hovnanian Enterprises, Inc., dated July 12, 2005 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed July 13, 2005\).](#)
- 4(d) [Certificate of Designations of the Series B Junior Preferred Stock of Hovnanian Enterprises, Inc., dated August 14, 2008 \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2008 filed September 8, 2008\).](#)
- 4(e) [Rights Agreement, dated as of August 14, 2008, between Hovnanian Enterprises, Inc. and National City Bank, as Rights Agent, which includes the Form of Certificate of Designation as Exhibit A, Form of Right Certificate as Exhibit B and the Summary of Rights as Exhibit C \(Incorporated by reference to Exhibits to the Registration Statement on Form 8-A of the Registrant filed August 14, 2008\).](#)
- 4(f) [Amendment No. 1 to Rights Agreement, dated as of January 11, 2018, between Hovnanian Enterprises, Inc. and Computershare Trust Company, N.A \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 11, 2018\).](#)
- 4(g) [Amendment No. 2 to Rights Agreement, dated as of January 18, 2021, between Hovnanian Enterprises, Inc. and Computershare Trust Company, N.A \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 19, 2021\).](#)
- 4(h) [Amendment No. 3 to Rights Agreement, dated as of January 11, 2024, between Hovnanian Enterprises, Inc. and Computershare Trust Company, N.A \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 11, 2024\).](#)
- 4(i) [Indenture, dated as of February 1, 2018, relating to the 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040, by and among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Trustee, including the forms of 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed February 2, 2018\).](#)
- 4(j) [Second Supplemental Indenture, dated as of May 30, 2018, relating to the 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed May 30, 2018\).](#)
- 4(k) [Sixth Supplemental Indenture, dated as of October 31, 2019, relating to the 13.5% Senior Notes due 2026 and 5.0% Senior Notes due 2040, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed October 31, 2019\).](#)
- 4(l) [Indenture, dated as of October 5, 2023, relating to the 8.0% Senior Secured 1.125 Lien Notes due 2028, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, including the form of 8.0% Senior Secured 1.125 Lien Notes due 2028 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed September 25, 2023\).](#)
- 4(m) [Indenture, dated as of October 5, 2023, relating to the 11.75% Senior Secured 1.25 Lien Notes due 2029, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, including the form of 11.75% Senior Secured 1.25 Lien Notes due 2029 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed September 25, 2023\).](#)
- 4(n) [Description of the Registrant's securities.](#)
- 10(a) [Third Amendment, dated as of September 25, 2023, to the Credit Agreement, dated as of October 31, 2019, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the subsidiary guarantors named therein, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed September 25, 2023\).](#)

- 10(b) [Security Agreement, dated as of October 31, 2019, relating to Senior Secured Revolving Credit Facility, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as Administrative Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed October 31, 2019\).](#)
- 10(c) [\\$212,500,000 Credit Agreement, dated as of January 29, 2018, by and among K. Hovnanian Enterprises Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed February 2, 2018\).](#)
- 10(d) [Credit Agreement, dated as of December 10, 2019, relating to the 1.75 Lien Term Loans, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the subsidiary guarantors named therein, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(e) [First Amendment to the Credit Agreement, dated as of May 21, 2024, relating to the 1.75 Lien Term Loans, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the subsidiary guarantors named therein, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed May 22, 2024\).](#)
- 10(f)* [Management Agreement dated August 12, 1983, for the management of properties by K. Hovnanian Investment Properties, Inc. \(Incorporated by reference to Exhibits to Registration Statement \(No. 2-85198\) on Form S-1 of the Registrant\).](#)
- 10(g)* [Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc. \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2003 filed January 21, 2004\).](#)
- 10(h)* [Executive Deferred Compensation Plan as amended and restated on January 1, 2022 \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(i)* [Death and Disability Agreement between the Registrant and Ara K. Hovnanian, dated February 2, 2006 \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2006 filed March 10, 2006\).](#)
- 10(j)* [Form of Change in Control Severance Protection Agreement entered into with Brad G. O'Connor \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2012 filed March 8, 2012\).](#)
- 10(k)* [Form of Incentive Stock Option Agreement \(2014 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2014 filed September 5, 2014\).](#)
- 10(l)* [Form of Stock Option Agreement for Directors \(2014 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2014 filed September 5, 2014\).](#)
- 10(m)* [2012 Hovnanian Enterprises, Inc. Amended and Restated Stock Incentive Plan \(Incorporated by reference to Appendix A to the Registrant's definitive Proxy Statement on Schedule 14A filed February 4, 2019\).](#)
- 10(n)* [Form of 2020 Long-Term Incentive Program Award Agreement \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 filed September 4, 2020\).](#)
- 10(o)* [Form of Letter Agreement Relating to Change in Control Severance Protection Agreement entered into with Brad G. O'Connor \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2015 filed March 12, 2015\).](#)
- 10(p)* [Premium-Priced Incentive Stock Option Agreement Class A \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2016 filed September 9, 2016\).](#)
- 10(q)* [Premium-Priced Non-qualified Stock Option Agreement Class B \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2016 filed September 9, 2016\).](#)
- 10(r)* [Incentive Stock Option Agreement Class A \(2016 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2016 filed September 9, 2016\).](#)

- 10(s)* [Premium-Priced Incentive Stock Option Agreement Class A \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2018 filed September 10, 2018\).](#)
- 10(t)* [Premium-Priced Non-Qualified Stock Option Agreement Class B \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2018 filed September 10, 2018\).](#)
- 10(u)* [Incentive Stock Option Agreement Class A \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2018 filed September 10, 2018\).](#)
- 10(v)* [Non-Qualified Stock Option Agreement Class B \(2018 grants and thereafter\) \(Incorporated by reference to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2018 filed September 10, 2018\).](#)
- 10(w) [Trademark Security Agreement, dated as of October 31, 2019, relating to Senior Secured Revolving Credit Facility, made by K. HOV IP II, Inc. in favor of Wilmington Trust, National Association, as Administrative Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed October 31, 2019\).](#)
- 10(x) [Trademark Security Agreement, dated as of October 5, 2023, by K. HOV IP, II, Inc., in favor of Wilmington Trust, National Association, as Administrative Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(y) [Copyright Security Agreement, dated as of October 5, 2023, by K. HOV IP, II, Inc., in favor of Wilmington Trust, National Association, as Administrative Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(z) [1.125 Lien Security Agreement, dated as of October 5, 2023, relating to the 8.0% Senior Secured 1.125 Lien Notes due 2028, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as 1.125 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(aa) [1.125 Lien Pledge Agreement, dated as of October 5, 2023, relating to the 8.0% Senior Secured 1.125 Lien Notes due 2028, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as 1.125 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(bb) [1.125 Lien Trademark Security Agreement, dated as of October 5, 2023, by K. HOV IP, II, Inc., in favor of Wilmington Trust, National Association, as 1.125 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(cc) [1.125 Lien Copyright Security Agreement, dated as of October 5, 2023, by K. HOV IP, II, Inc., in favor of Wilmington Trust, National Association, as 1.125 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(dd) [1.25 Lien Security Agreement, dated as of October 5, 2023, relating to the 11.75% Senior Secured 1.25 Lien Notes due 2029, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as 1.25 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(ee) [1.25 Lien Pledge Agreement, dated as of October 5, 2023, relating to the 11.75% Senior Secured 1.25 Lien Notes due 2029, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the other guarantors party thereto in favor of Wilmington Trust, National Association, as 1.25 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(ff) [1.25 Lien Trademark Security Agreement, dated as of October 5, 2023, by K. HOV IP, II, Inc., in favor of Wilmington Trust, National Association, as 1.25 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(gg) [1.25 Lien Copyright Security Agreement, dated as of October 5, 2023, by K. HOV IP, II, Inc., in favor of Wilmington Trust, National Association, as 1.25 Lien Collateral Agent and as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(hh) [First Lien Collateral Agency Agreement, dated as of October 31, 2019, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Administrative Agent, 1.125 Lien Collateral Agent, 1.25 Lien Collateral Agent, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed October 31, 2019\).](#)
- 10(ii) [First Lien Intercreditor Agreement, dated as of October 31, 2019, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Administrative Agent, 1.125 Lien Trustee, 1.125 Lien Collateral Agent, 1.25 Lien Trustee, 1.25 Lien Collateral Agent, 1.5 Lien Trustee, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed October 31, 2019\).](#)

- 10(jj) [1.75 Lien Security Agreement, dated as of December 10, 2019, relating to the 10.000% Senior Secured 1.75 Lien Notes due 2025 and the 1.75 Lien Term Loans, made by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the subsidiary guarantors named therein in favor of Wilmington Trust, National Association, as 1.75 Pari Passu Lien Collateral Agent, and Wilmington Trust, National Association, as Joint First Lien Collateral Agent, Administrative Agent and 1.75 Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(kk) [1.75 Lien Pledge Agreement, dated as of December 10, 2019, relating to the 10.000% Senior Secured 1.75 Lien Notes due 2025 and the 1.75 Lien Term Loans, given by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and the subsidiary guarantors named to Wilmington Trust, National Association, as 1.75 Pari Passu Lien Collateral Agent, and Wilmington Trust, National Association, as Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(ll) [1.75 Lien Trademark Security Agreement, dated as of December 10, 2019, by K. HOV IP, II, Inc., in favor of Wilmington Trust, National Association, as 1.75 Pari Passu Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(mm) [Joinder No. 1, dated as of December 10, 2019, to the First Lien Intercreditor Agreement and First Lien Collateral Agency Agreement, each dated as of October 31, 2019, among Wilmington Trust, National Association, as 1.75 Lien Trustee and 1.75 Pari Passu Lien Collateral Agent, and acknowledged by Wilmington Trust, National Association, as 1.75 Lien Collateral Agent, with acknowledged receipt by Wilmington Trust, National Association, as Senior Credit Agreement Administrative Agent, 1.125 Lien Trustee, 1.125 Lien Collateral Agent, 1.25 Lien Trustee, 1.25 Lien Collateral Agent, 1.5 Lien Trustee, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(nn) [Joinder No. 2, dated as of December 10, 2019, to the First Lien Intercreditor Agreement and First Lien Collateral Agency Agreement, each dated as of October 31, 2019, among Wilmington Trust, National Association, as Administrative Agent and 1.75 Pari Passu Lien Collateral Agent, with acknowledged receipt by the Senior Credit Agreement Administrative Agent, 1.125 Lien Trustee, 1.125 Lien Collateral Agent, 1.25 Lien Trustee, 1.25 Lien Collateral Agent, 1.5 Lien Trustee, 1.5 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed December 11, 2019\).](#)
- 10(oo) [Joinder No. 3, dated as of October 5, 2023, to the First Lien Intercreditor Agreement and First Lien Collateral Agency Agreement, each dated as of October 31, 2019, among Wilmington Trust, National Association, as 1.125 Lien Trustee and 1.125 Lien Collateral Agent, with acknowledged receipt by the Senior Credit Agreement Collateral Agent, 1.25 Lien Trustee, 1.25 Lien Collateral Agent, 1.75 Lien Trustee, 1.75 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(pp) [Joinder No. 4, dated as of October 5, 2023, to the First Lien Intercreditor Agreement and First Lien Collateral Agency Agreement, each dated as of October 31, 2019, among Wilmington Trust, National Association, as 1.25 Lien Trustee and 1.25 Lien Collateral Agent, with acknowledged receipt by the Senior Credit Agreement Collateral Agent, 1.125 Lien Trustee, 1.125 Lien Collateral Agent, 1.75 Lien Trustee, 1.75 Lien Collateral Agent and Joint First Lien Collateral Agent \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023\).](#)
- 10(qq)* [Form of 2020 Performance Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 filed September 4, 2020\).](#)
- 10(rr)* [Form of 2020 Performance Share Unit Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 filed September 4, 2020\).](#)
- 10(ss)* [Form of 2020 Associate Restricted Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 filed September 4, 2020\).](#)
- 10(tt)* [Form of 2020 Associate Restricted Share Unit Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 filed September 4, 2020\).](#)
- 10(uu)* [Form of Director Restricted Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2020 filed September 4, 2020\).](#)
- 10(vv)* [Form of 2021 Performance Share Unit Agreement - EBIT \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 filed September 9, 2021\).](#)
- 10(ww)* [Form of 2021 Performance Share Unit Agreement - EBIT \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 filed September 9, 2021\).](#)
- 10(xx)* [Form of 2021 Performance Share Unit Agreement - Relative EBIT ROI \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 filed September 9, 2021\).](#)
- 10(yy)* [Form of 2021 Performance Share Unit Agreement - Relative EBIT ROI \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 filed September 9, 2021\).](#)
- 10(zz)* [Form of 2021 Long-Term Incentive Program Award Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 filed September 9, 2021\).](#)
- 10(aaa)* [Form of 2021 Long-Term Incentive Program Award Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2021 filed September 9, 2021\).](#)

- 10(bbb)* [Form of 2022 Long-Term Incentive Program Award Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2022 filed March 7, 2022\).](#)
- 10(ccc)* [Form of 2022 Long-Term Incentive Program Award Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2022 filed March 7, 2022\).](#)
- 10(ddd)* [Second Amended and Restated 2020 Hovnanian Enterprises, Inc. Stock Incentive Plan \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed March 29, 2022\).](#)
- 10(eee)* [Third Amended and Restated 2020 Hovnanian Enterprises, Inc. Stock Incentive Plan \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed March 22, 2024\).](#)
- 10(fff)* [Form of 2022 Performance Share Unit Agreement – EBIT \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(ggg)* [Form of 2022 Performance Share Unit Agreement – EBIT \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(hhh)* [Form of 2022 Performance Share Unit Agreement – EBIT ROI \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(iii)* [Form of 2022 Performance Share Unit Agreement – EBIT ROI \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(jjj)* [Form of 2022 Performance Share Unit Agreement – National Contracts Savings Performance Vesting \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(kkk)* [Form of 2022 Performance Share Unit Agreement – KHDS Savings Performance Vesting \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(III)* [Restricted Share Unit Agreement Class A \(2022 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(mmm)* [Director Restricted Share Unit Agreement Class A \(2022 grants and thereafter\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2022 filed September 6, 2022\).](#)
- 10(nnn)* [Form of 2019 Associate Incentive Stock Option Agreement – Premium Priced \(Class A\) \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2022 filed December 19, 2022\).](#)
- 10(ooo)* [Form of 2019 Associate Non-Qualified Stock Option Agreement – Premium Priced \(Class B\) \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2022 filed December 19, 2022\).](#)
- 10(ppp)* [Form of 2019 Associate Incentive Stock Option Agreement \(Class A\) \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2022 filed December 19, 2022\).](#)
- 10(qqq)* [Form of 2019 Associate Non-Qualified Stock Option Agreement \(Class B\) \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2022 filed December 19, 2022\).](#)
- 10(rrr)* [Form of 2016 Non-Qualified Stock Option Agreement \(Class B\) \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2022 filed December 19, 2022\).](#)
- 10(sss)* [Form of 2021 Associate Restricted Share Unit Agreement \(Class A\) \(Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2022 filed December 19, 2022\).](#)
- 10(ttt)* [Form of 2023 Long-Term Incentive Program Award Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2023 filed March 6, 2023\).](#)
- 10(uuu)* [Form of 2023 Long-Term Incentive Program Award Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2023 filed March 6, 2023\).](#)
- 10(vvv)* [Form of 2024 Long-Term Incentive Program Award Agreement \(Class A\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2024 filed March 1, 2024\).](#)
- 10(www)* [Form of 2024 Long-Term Incentive Program Award Agreement \(Class B\) \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2024 filed March 1, 2024\).](#)
- 10(xxx)* [Form of 2023 Long-Term Incentive Program Phantom Share Agreement \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2023 filed March 6, 2023\).](#)
- 10(yyy)* [Form of 2024 Long-Term Incentive Program Phantom Share Agreement \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended January 31, 2024 filed March 1, 2024\).](#)
- 10(zzz)* [Form of 2023 Performance Share Unit Agreement EBIT Class A \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2023 filed September 1, 2023\).](#)
- 10(aaaa)* [Form of 2023 Performance Share Unit Agreement EBIT Class B \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2023 filed September 1, 2023\).](#)
- 10(bbbb)* [Form of 2024 Performance Share Unit Agreement EBIT Class A \(Incorporate by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2024 filed August 30, 2024\).](#)
- 10(cccc)* [Form of 2024 Performance Share Unit Agreement EBIT Class B \(Incorporate by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2024 filed August 30, 2024\).](#)
- 10(dddd)* [Form of 2023 Performance Share Unit Agreement EBIT ROI Class A \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2023 filed September 1, 2023\).](#)

10(eeee)*	Form of 2023 Performance Share Unit Agreement EBIT ROI Class B (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2023 filed September 1, 2023).
10(ffff)*	Form of 2024 Performance Share Unit Agreement EBIT ROI Class A (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2024 filed August 30, 2024).
10(gggg)*	Form of 2024 Associate Restricted Share Unit Agreement Class A (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2024 filed August 30, 2024).
10(hhhh)*	Form of 2024 Director Restricted Share Unit Agreement Class A (Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2024 filed August 30, 2024).
19(a)	Securities Trading Policy.
21	Subsidiaries of the Registrant.
23(a)	Consent of Deloitte & Touche LLP.
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32(a)	Section 1350 Certification of Chief Executive Officer (furnished herewith).
32(b)	Section 1350 Certification of Chief Financial Officer (furnished herewith).
97(a)	Incentive Compensation Clawback Policy (Incorporated by reference to Exhibits to Annual Report on Form 10-K of the Registrant for the year ended October 31, 2023 filed December 18, 2023).
101	The following financial information from our Annual Report on Form 10-K for the year ended October 31, 2024, formatted in inline Extensible Business Reporting Language (Inline XBRL): (i) the Consolidated Balance Sheets at October 31, 2024 and October 31, 2023, (ii) the Consolidated Statements of Operations for the years ended October 31, 2024, 2023 and 2022, (iii) the Consolidated Statements of Changes in Equity for years ended October 31, 2024, 2023 and 2022 (iv) the Consolidated Statements of Cash Flows for the years ended October 31, 2024, 2023 and 2022, and (v) the Notes to Consolidated Financial Statements.
104	Cover page from our Annual Report on Form 10-K for the year ended October 31, 2024, formatted in Inline XBRL (and contained in Exhibit 101). <i>* Management contracts or compensatory plans or arrangements.</i>

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

ITEM 16
Form 10-K Summary

None.

SIGNATURES

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

HOVNANIAN ENTERPRISES, INC.

By: /s/ ARA K. HOVNANIAN

Ara K. Hovnanian
Chairman of the Board, Chief Executive
Officer and President
December 18, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on December 18, 2024, and in the capacities indicated.

/s/ ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman of the Board, Chief Executive Officer, President and Director
(Principal Executive Officer)

/s/ BRAD G. O'CONNOR

Brad G. O'Connor

Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

/s/ EDWARD A. KANGAS

Edward A. Kangas

Chairman of Audit Committee and Director

/s/ JOSEPH A. MARENGI

Joseph A. Marengi

Chairman of Compensation Committee and Director

/s/ VINCENT PAGANO JR.

Vincent Pagano Jr.

Chairman of Corporate Governance and Nominating Committee and
Director

/s/ J. LARRY SORSBY

J. Larry Sorsby

Director

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
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No schedules have been prepared because the required information of such schedules is not present, is not present in amounts sufficient to require submission of the schedule, or because the required information is included in the financial statements and notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Hovnanian Enterprises, Inc. and subsidiaries (the “Company”) as of October 31, 2024, and 2023, the related consolidated statements of operations, equity, and cash flows, for each of the three years in the period ended October 31, 2024, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of October 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2024, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

Basis for Opinions

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

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

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

Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matter

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

Warranty Costs and Construction Defect Reserves – Refer to Notes 3 and Note 16 to the financial statements

Critical Audit Matter Description

The Company accrues for warranty costs that are covered under its general liability and construction defect policy as part of its general liability insurance deductible. Reserves for estimated losses for construction defects, warranty and bodily injury claims are established using the assistance of a third-party actuary. The third-party actuary uses the Company's historical warranty and construction defect data to assist management in estimating the unpaid claims, claim adjustment expenses and incurred but not reported claims reserves for the risks that the Company is assuming under the general liability and construction defect programs.

We identified the estimation of the reserves for warranty costs and construction defects as a critical audit matter because of the complexity and judgment involved in the determination of the estimated liability amount. This liability requires the Company to make significant assumptions about trends in construction defect claims, claim settlement patterns, insurance industry practices and legal interpretations with respect to homes built by the Company. Auditing the reserves for estimated losses for construction defects required a high degree of auditor judgment and increased effort, including the need to involve our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the construction defect reserves, included the following, among others:

- We tested the operating effectiveness of controls over the Company's process for estimating the reserve for warranty and construction defects, including those over the projection of settlement value of reported and unreported claims.
- We evaluated the methods and assumptions used by management to estimate the warranty and construction defects by:
 - Reading the Company's insurance policies and comparing the coverage and terms to the assumptions used by management.
 - Testing the underlying data that served as the basis for the actuarial analysis, including historical claims, to test that the inputs to the actuarial estimate were accurate and complete.
 - Comparing management's prior-year assumptions of expected development and ultimate loss to actuals incurred during the current year to identify potential bias in the determination of the self-insurance reserves.
- With the assistance of our actuarial specialists, we evaluated the reasonableness of the actuarial methodology applied in estimating the warranty and construction defect reserves and developed independent estimates of the warranty and construction defect reserve, including loss data and industry claim development factors, and compared those to the reserve estimate recorded by management.

/s/ DELOITTE & TOUCHE LLP

New York, New York
December 18, 2024

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

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)	October 31, 2024	October 31, 2023
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$ 209,976	\$ 434,119
Restricted cash and cash equivalents	7,875	8,431
Inventories:		
Sold and unsold homes and lots under development	1,195,318	998,841
Land and land options held for future development or sale	238,499	125,587
Consolidated inventory not owned	210,987	224,758
Total inventories	1,644,804	1,349,186
Investments in and advances to unconsolidated joint ventures	142,910	97,886
Receivables, deposits and notes, net	29,400	27,982
Property and equipment, net	43,431	33,946
Prepaid expenses and other assets	82,525	69,886
Total homebuilding	2,160,921	2,021,436
Financial services	203,589	168,671
Deferred tax assets, net	241,064	302,833
Total assets	<u>\$ 2,605,574</u>	<u>\$ 2,492,940</u>
LIABILITIES AND EQUITY		
Homebuilding:		
Nonrecourse mortgages secured by inventory, net of debt issuance costs	\$ 90,675	\$ 91,539
Accounts payable and other liabilities	433,273	415,480
Customers' deposits	41,639	51,419
Liabilities from inventory not owned, net of debt issuance costs	140,298	124,254
Senior notes and credit facilities (net of discounts, premiums and debt issuance costs)	896,218	1,051,491
Accrued interest	14,508	26,926
Total homebuilding	1,616,611	1,761,109
Financial services	183,135	148,181
Income taxes payable	5,479	1,861
Total liabilities	<u>1,805,225</u>	<u>1,911,151</u>
Equity:		
Hovnanian Enterprises, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value - authorized 100,000 shares; issued and outstanding 5,600 shares with a liquidation preference of \$140,000 at October 31, 2024 and October 31, 2023	135,299	135,299
Common stock, Class A, \$0.01 par value - authorized 16,000,000 shares; issued 6,415,794 shares at October 31, 2024 and 6,247,308 shares at October 31, 2023	64	62
Common stock, Class B, \$0.01 par value (convertible to Class A at time of sale) - authorized 2,400,000 shares; issued 757,023 shares at October 31, 2024 and 776,750 shares at October 31, 2023	8	8
Paid in capital - common stock	749,752	735,946
Retained earnings (accumulated deficit)	74,136	(157,197)
Treasury stock - at cost - 1,090,179 shares of Class A common stock at October 31, 2024 and 901,379 shares at October 31, 2023; 27,669 shares of Class B common stock at October 31, 2024 and October 31, 2023	(158,910)	(132,382)
Total Hovnanian Enterprises, Inc. stockholders' equity	800,349	581,736
Noncontrolling interest in consolidated joint ventures	-	53
Total equity	<u>800,349</u>	<u>581,789</u>
Total liabilities and equity	<u>\$ 2,605,574</u>	<u>\$ 2,492,940</u>

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Year Ended		
	October 31, 2024	October 31, 2023	October 31, 2022
Revenues:			
Homebuilding:			
Sale of homes	\$ 2,875,488	\$ 2,630,457	\$ 2,840,454
Land sales and other revenues	55,366	65,471	20,237
Total homebuilding	2,930,854	2,695,928	2,860,691
Financial services	74,064	60,088	61,540
Total revenues	3,004,918	2,756,016	2,922,231
Expenses:			
Homebuilding:			
Cost of sales, excluding interest	2,263,384	2,052,800	2,137,063
Cost of sales interest	89,807	80,820	85,240
Inventory impairments and land option write-offs	11,556	1,536	14,076
Total cost of sales	2,364,747	2,135,156	2,236,379
Selling, general and administrative	202,486	201,578	193,536
Total homebuilding expenses	2,567,233	2,336,734	2,429,915
Financial services	49,940	40,723	42,419
Corporate general and administrative	139,740	103,196	102,618
Other interest	30,752	54,082	47,343
Other (income) expenses, net (1)	(46,203)	(17,148)	2,421
Total expenses	2,741,462	2,517,587	2,624,716
Gain (loss) on extinguishment of debt, net	1,371	(25,638)	(6,795)
Income from unconsolidated joint ventures	52,262	43,160	29,033
Income before income taxes	317,089	255,951	319,753
State and federal income tax provision:			
State	10,851	3,239	34,199
Federal	64,230	46,821	60,064
Total income taxes	75,081	50,060	94,263
Net income	\$ 242,008	\$ 205,891	\$ 225,490
Less: preferred stock dividends	10,675	10,675	10,675
Net income available to common stockholders	\$ 231,333	\$ 195,216	\$ 214,815
Per share data:			
Basic:			
Net income per common share	\$ 34.40	\$ 28.76	\$ 30.31
Weighted-average number of common shares outstanding	6,479	6,230	6,437
Assuming dilution:			
Net income per common share	\$ 31.79	\$ 26.88	\$ 29.00
Weighted-average number of common shares outstanding	7,007	6,666	6,728

(1) Includes gain on consolidation of a joint venture of \$45.7 million and \$19.1 million for the year ended October 31, 2024 and 2023, respectively (see Note 20).

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands, except share data)	A Common Stock		B Common Stock		Preferred Stock		Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Noncontrolling Interest	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount					
Balance, October 31, 2021	5,595,734	\$ 61	659,207	\$ 7	5,600	\$ 135,299	\$ 722,118	\$ (567,228)	\$ (115,360)	\$ 487	\$ 175,384
Stock options, amortization and issuances	2,316						120				120
Preferred dividend declared (\$476.56 per share)								(10,675)			(10,675)
Restricted stock amortization, issuances and forfeitures	91,263	1	46,641				5,425				5,426
Conversion of Class B to Class A common stock	143		(143)								-
Changes in noncontrolling interest in consolidated joint ventures										(472)	(472)
Share repurchases	(312,471)								(12,222)		(12,222)
Net income								225,490			225,490
Balance, October 31, 2022	5,376,985	\$ 62	705,705	\$ 7	5,600	\$ 135,299	\$ 727,663	\$ (352,413)	\$ (127,582)	\$ 15	\$ 383,051
Stock options, amortization and issuances	3,563						92				92
Preferred dividend declared (\$476.56 per share)								(10,675)			(10,675)
Restricted stock amortization, issuances and forfeitures	83,660		43,575	1			8,191				8,192
Conversion of Class B to Class A common stock	199		(199)								-
Changes in noncontrolling interest in consolidated joint ventures										38	38
Share repurchases	(118,478)								(4,800)		(4,800)
Net income								205,891			205,891
Balance, October 31, 2023	5,345,929	\$ 62	749,081	\$ 8	5,600	\$ 135,299	\$ 735,946	\$ (157,197)	\$ (132,382)	\$ 53	\$ 581,789
Stock options, amortization and issuances	5,502						550				550
Preferred dividend declared (\$476.56 per share)								(10,675)			(10,675)
Restricted stock amortization, issuances and forfeitures	90,007	1	53,250	1			13,256				13,258
Conversion of Class B to Class A common stock	72,977	1	(72,977)	(1)							-
Changes in noncontrolling interest in consolidated joint ventures										(53)	(53)
Share repurchases	(188,800)								(26,528)		(26,528)
Net income								242,008			242,008
Balance, October 31, 2024	5,325,615	\$ 64	729,354	\$ 8	5,600	\$ 135,299	\$ 749,752	\$ 74,136	\$ (158,910)	\$ -	\$ 800,349

See notes to consolidated financial statements.

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

(In thousands)	Year Ended		
	October 31, 2024	October 31, 2023	October 31, 2022
Cash flows from operating activities:			
Net income	\$ 242,008	\$ 205,891	\$ 225,490
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,730	8,798	5,457
Stock-based compensation	25,269	14,227	10,276
(Accretion) amortization of debt discounts, premiums and debt issuance costs	(1,041)	1,645	376
Gain on sale of property and assets	(1,143)	(1,106)	(34)
Gain on consolidation of joint ventures	(45,653)	(19,102)	-
Income from unconsolidated joint ventures	(52,262)	(43,160)	(29,033)
Distributions of earnings from unconsolidated joint ventures	3,919	18,650	3,990
(Gain) loss on extinguishment of debt	(1,371)	25,638	6,795
Noncontrolling interest in consolidated joint ventures	-	38	270
Inventory impairments and land option write-offs	11,556	1,536	14,076
(Increase) decrease in assets:			
Inventories	(183,522)	278,672	(279,000)
Receivables, deposits and notes	(11,901)	11,296	(2,632)
Origination of mortgage loans	(1,567,961)	(1,216,923)	(1,205,604)
Sale of mortgage loans	1,549,272	1,197,988	1,245,408
Deferred tax assets	61,769	41,960	80,885
(Decrease) increase in liabilities:			
Accounts payable, accrued interest and other liabilities	(349)	(59,554)	7,705
Customers' deposits	(16,298)	(29,913)	5,725
State income tax payable	3,618	(1,306)	(684)
Net cash provided by operating activities	<u>23,640</u>	<u>435,275</u>	<u>89,466</u>
Cash flows from investing activities:			
Proceeds from sale of property and assets	1,419	1,961	63
Purchase of property, equipment, and other fixed assets	(17,859)	(18,821)	(12,592)
Investment in and advances to unconsolidated joint ventures, net of reimbursements	(34,436)	(77,822)	35
Distributions of capital from unconsolidated joint ventures	4,404	16,447	10,342
Net cash used in investing activities	<u>(46,472)</u>	<u>(78,235)</u>	<u>(2,152)</u>
Cash flows from financing activities:			
Proceeds from mortgages and notes	301,017	324,849	438,883
Payments related to mortgages and notes	(340,093)	(382,933)	(418,383)
Proceeds from model sale leaseback financing programs	27,136	12,412	35,030
Payments related to model sale leaseback financing programs	(22,564)	(21,875)	(14,857)
Proceeds from land bank financing programs	98,735	53,115	189,952
Payments related to land bank financing programs	(86,624)	(123,109)	(68,746)
Proceeds from partner distributions to consolidated joint venture	-	-	40
Payments for partner distributions to consolidated joint venture	-	-	(782)
Net proceeds (payments) related to mortgage warehouse lines of credit	20,643	16,432	(40,618)
Net borrowings from senior secured notes	-	640,925	-
Payments related to senior secured notes	(145,000)	(752,182)	(103,875)
Preferred dividends paid	(10,675)	(10,675)	(10,675)
Treasury stock purchases	(26,528)	(4,800)	(12,222)
Debt issuance costs from note issuances, land banking financing programs and model sale leaseback financing programs	(3,973)	(13,870)	(10,267)
Net cash used in financing activities	<u>(187,926)</u>	<u>(261,711)</u>	<u>(16,520)</u>
Net (decrease) increase in cash and cash equivalents, and restricted cash and cash equivalents	<u>(210,758)</u>	<u>95,329</u>	<u>70,794</u>
Cash and cash equivalents, and restricted cash and cash equivalents balance, beginning of period	477,519	382,190	311,396
Cash and cash equivalents, and restricted cash and cash equivalents balance, end of period	<u>\$ 266,761</u>	<u>\$ 477,519</u>	<u>\$ 382,190</u>
Supplemental disclosures of cash flows:			
Cash paid during the period for:			
Interest, net of capitalized interest (see Note 3 to the Consolidated Financial Statements)	\$ 47,803	\$ 62,576	\$ 44,872
Income taxes	\$ 9,694	\$ 9,407	\$ 14,062
Reconciliation of Cash, cash equivalents and restricted cash			
Homebuilding: Cash and cash equivalents	\$ 209,976	\$ 434,119	\$ 326,198
Homebuilding: Restricted cash and cash equivalents	7,875	8,431	13,382
Financial Services: Cash and cash equivalents, included in financial services assets	6,589	4,519	6,468
Financial Services: Restricted cash and cash equivalents, included in financial services assets	42,321	30,450	36,142
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 266,761</u>	<u>\$ 477,519</u>	<u>\$ 382,190</u>

See notes to consolidated financial statements.

Supplemental disclosure of noncash investing and financing activities:

In the second quarter of fiscal 2023, we consolidated the remaining assets of one of our unconsolidated joint ventures, resulting in a \$10.8 million reduction in our investment in the joint venture, and increases of \$14.9 million and \$5.3 million to inventory and accounts payable, respectively.

In the third quarter of fiscal 2023, we consolidated the remaining assets of one of our unconsolidated joint ventures, resulting in a \$53.4 million reduction in our investment in the joint venture, and increases of \$95.3 million to inventory, \$3.8 million to other assets, \$14.5 million to accounts payable, \$7.3 million to customer deposits and \$4.8 million to nonrecourse mortgages and notes, net of debt issuance costs.

In the third quarter of fiscal 2024, we consolidated the remaining assets of one of our unconsolidated joint ventures, resulting in a \$33.1 million reduction in our investment in the joint venture, and increases of \$123.7 million to inventory, \$7.0 million to other assets, \$8.8 million to accounts payable, \$6.5 million to customer deposits and \$36.6 million to nonrecourse mortgages and notes, net of debt issuance costs.

In the third quarter of fiscal 2024, we exchanged \$64.0 million aggregate principal amount of 13.5% Senior Notes due February 1, 2026 (the "13.5% Notes"), \$65.2 million aggregate principal amount of 5.0% Senior Notes due February 1, 2040 and all of the \$39.6 million aggregate principal amount of loans under the Senior Unsecured Term Loan Credit Facility due February 1, 2027 (the "Unsecured Term Loan") and an aggregate cash payment of \$31.5 million in respect of the 13.5% Notes and Unsecured Term Loan for an additional \$93.5 million aggregate principal amount of loans under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028.

HOVNANIAN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include Hovnanian Enterprises, Inc.’s (“HEI”) accounts and those of all its consolidated subsidiaries, after elimination of all intercompany balances and transactions. HEI’s fiscal year ends on October 31. Noncontrolling interest represents the proportionate equity interest in a consolidated joint venture that is not 100% owned by HEI, directly or indirectly; we sold our membership interest in such joint venture during the first quarter of fiscal 2024.

2. Business

HEI conducts all of its homebuilding and financial services operations through its subsidiaries (references herein to the “Company,” “we,” “us” or “our” refer to HEI and its consolidated subsidiaries and should be understood to reflect the consolidated business of HEI’s subsidiaries). Our operations consist of homebuilding, financial services and corporate. Our homebuilding operations are made up of three reportable segments defined as Northeast, Southeast and West. Homebuilding operations comprise the substantial part of our business, representing approximately 98% of consolidated revenues for the years ended October 31, 2024, 2023 and 2022, respectively. HEI is a Delaware corporation, which through its subsidiaries, was building and selling homes in Arizona, California, Delaware, Florida, Georgia, Maryland, New Jersey, Ohio, Pennsylvania, South Carolina, Texas, Virginia and West Virginia, across 130 consolidated active selling communities at October 31, 2024. Our homebuilding subsidiaries offer a wide variety of homes that are designed to appeal to first-time buyers, move-up buyers, luxury buyers, active lifestyle buyers and empty nesters. Our financial services operations, which are a reportable segment, provide mortgage banking and title services to the homebuilding operations’ customers. Our financial services subsidiaries do not typically retain or service the mortgages that they originate but rather sell the mortgages and related servicing rights to investors. Corporate primarily includes the operations of our corporate office whose primary purpose is to provide executive services, accounting, information services, human resources, management reporting, training, cash management, internal audit, risk management, and administration of process redesign, quality, and safety.

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

3. Summary of Significant Accounting Policies

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

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

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

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

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

Cash and Cash Equivalents - Cash equivalents include certificates of deposit, U.S. Treasury bills and government money–market funds with maturities of 90 days or less when purchased. Our cash balances are held at a few financial institutions and may, at times, exceed insurable amounts. We believe we help to mitigate this risk by depositing our cash in major financial institutions. At October 31, 2024 and 2023, \$13.6 million and \$11.4 million, respectively, of the total cash and cash equivalents was in cash equivalents and restricted cash equivalents.

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

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

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

We sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement and the ability to repurchase model homes with below market options, for accounting purposes in accordance with ASC 606, these sale and leaseback transactions are considered a financing rather than a sale. Our Consolidated Balance Sheets, at October 31, 2024 and 2023, included inventory of \$46.1 million and \$41.7 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$46.2 million (net of debt issuance costs) and \$42.0 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

We have land banking arrangements, whereby we sell our land parcels to a land banker and they provide us an option to purchase back finished lots on a predetermined schedule. Because of our options to repurchase these parcels, for accounting purposes, in accordance with ASC 606, these transactions are considered a financing rather than a sale. Our Consolidated Balance Sheets, at October 31, 2024 and 2023, included inventory of \$164.9 million and \$183.1 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$94.1 million (net of debt issuance costs) and \$82.3 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

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

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

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

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

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

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

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

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

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

Inventories held for sale are land parcels ready for sale in their current condition, where we have decided not to build homes but are instead actively marketing for sale. Land parcels held for sale represented \$5.1 million of our total inventories at October 31, 2024 and are reported at the lower of carrying amount or fair value less costs to sell. There were no inventories held for sale at October 31, 2023. In determining fair value for land held for sale, management considers, among other things, prices for land in recent comparable sale transactions, market analysis studies, which include the estimated price a willing buyer would pay for the land (other than in a forced liquidation sale) and recent bona fide offers received from outside third parties.

Warranty Costs and Construction Defect Reserves - We accrue warranty costs that are covered under our existing general liability and construction defect policy as part of our general liability insurance deductible. This accrual is expensed as selling, general and administrative costs. For homes delivered in fiscal 2024, our deductible under our general liability insurance was \$30.0 million, aggregated for construction defect and warranty claims, and for homes delivered in fiscal 2023, our deductible under our general liability insurance was \$25.0 million, aggregated for construction defect, warranty, and bodily injury claims. As of November 1, 2023, we no longer have an aggregate deductible for bodily injury claims. For bodily injury claims, our deductible per occurrence in fiscal 2024 was \$0.25 million and \$0.5 million for action over claims, both with a \$30.0 million limit, and for fiscal 2023 it was \$0.25 million for all other states and \$0.5 million for California, both with a \$5.0 million limit. We do not have a deductible on our worker's compensation insurance. Reserves for estimated losses for construction defects, warranty and bodily injury claims have been established using the assistance of a third-party actuary. The third-party actuary uses our historical warranty and construction defect data to assist management in estimating our unpaid claims, claim adjustment expenses and incurred but not reported claims reserves for the risks that we are assuming under the general liability and construction defect programs. The estimates consider provisions for inflation, claims handling and legal fees. These estimates are subject to a high degree of variability due to uncertainties such as trends in construction defect claims relative to our markets and the types of products we build, claim settlement patterns, insurance industry practices and legal interpretations, among others. Because of the high degree of judgment required in determining these estimated liabilities, actual future costs could differ significantly from our currently estimated amounts. In addition, we establish a warranty accrual for lower cost-related issues to cover home repairs, community amenities and land development infrastructure that are not covered under our general liability and construction defect policy. We accrue an estimate for these warranty costs as part of cost of sales at the time each home is closed and control is transferred to the buyer.

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

Interest costs incurred, expensed and capitalized were as follows:

(In thousands)	Year Ended		
	October 31, 2024	October 31, 2023	October 31, 2022
Interest capitalized at beginning of year	\$ 52,060	\$ 59,600	\$ 58,159
Plus interest incurred(1)	128,777	136,535	134,024
Less cost of sales interest expensed	(89,807)	(80,820)	(85,240)
Less other interest expensed(2)	(30,752)	(54,082)	(47,343)
Less interest contributed to unconsolidated joint ventures(3)	(5,468)	(9,456)	-
Plus interest acquired from unconsolidated joint ventures(4)	2,861	283	-
Interest capitalized at end of year(5)	\$ 57,671	\$ 52,060	\$ 59,600

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

(2) Other interest expensed includes interest that does not qualify for interest capitalization because our assets that qualify for interest capitalization (inventory under development) did not exceed our debt, which amounted to \$17.7 million and \$28.6 million for the years ended October 31, 2023 and 2022, respectively. During the year ended October 31, 2024, our inventory under development exceeded our debt, therefore, all of the related interest incurred qualified for interest capitalization. Other interest also includes interest on completed homes, land in planning and fully developed lots without homes under construction, which does not qualify for capitalization, and therefore, is expensed as incurred. This component of other interest was \$30.8 million, \$36.4 million and \$18.8 million for the years ended October 31, 2024, 2023 and 2022, respectively.

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

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

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

Land Options - We have access to land and lots through option contracts. Costs incurred to obtain options to acquire improved or unimproved home sites are capitalized. Such amounts are either included as part of the purchase price if the land is acquired or charged to "Inventory impairments and land option write-offs" if we determine we will not exercise the option. We record costs associated with options on the Consolidated Balance Sheets under "Land and land options held for future development or sale."

In accordance with ASC 810, "Consolidation," we evaluate option contracts for land to determine whether they are with variable interest entities ("VIEs") and, if so, whether we are the primary beneficiary. A VIE is an entity in which either (i) the equity investors as a group, if any, lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity's economic performance or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. VIEs are consolidated when we have a controlling financial interest. A controlling financial interest will have both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If land and lot options are determined to be with VIEs and we are the primary beneficiary or the options have terms that require us to record it as financing, then we record the land and lots under option on the Consolidated Balance Sheets under "Consolidated inventory not owned" with an offset under "Liabilities from inventory not owned." We perform on-going re-assessments of VIEs based on subsequent events, such as the modification of contracts or other changes in facts and circumstances, which could cause our consolidation conclusions to change.

Unconsolidated Homebuilding and Land Development Joint Ventures - Investments in unconsolidated entities in which the Company has significant influence over the operating and financial decisions of the entity, but holds less than a controlling financial interest, are accounted for by the equity method. In all periods presented, our investments in unconsolidated homebuilding and land development joint ventures are accounted for under the equity method. Under the equity method, we recognize our proportionate share of income and loss earned by the joint venture upon the delivery of lots or homes to third parties. Our ownership interests in joint ventures vary but our voting equity interests held are generally 20% to 50%. In determining whether or not we must consolidate joint ventures where we are the managing member of the joint venture, we assess whether the other partners have specific rights to overcome the presumption of control by us as the manager of the joint venture. In most cases, the presumption is overcome because the joint venture agreements require that both partners agree on establishing the significant operating and capital decisions of the partnership, including budgets, in the ordinary course of business. The evaluation of whether or not we control a joint venture can require significant judgment.

In accordance with ASC 323, "Investments - Equity Method and Joint Ventures," we assess our investments in unconsolidated joint ventures for recoverability quarterly, and if it is determined that a loss in value of the investment below its carrying amount is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected cash flows. This process requires significant management judgment and estimates. There were no write-downs for any periods presented.

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

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

Advertising Costs - Advertising costs are expensed as incurred, primarily to "Selling, general and administrative" homebuilding expense in the Consolidated Statements of Operations. During the years ended October 31, 2024, 2023 and 2022, advertising expenses totaled \$17.2 million, \$15.4 million and \$10.6 million, respectively.

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

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

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

Allowance for Credit Losses - We regularly review our receivable balances, which are included in "Receivables, deposits and notes, net" on the Consolidated Balance Sheets, for collectability. These receivables include receivables from our insurance carriers, receivables from municipalities related to the development of utilities or other infrastructure, and other miscellaneous receivables. Allowances are maintained for potential credit losses based on historical experience, present economic conditions and other factors considered relevant. The allowance for credit losses were \$13.0 million and \$12.8 million at October 31, 2024 and 2023, respectively, which primarily related to allowances for receivables from municipalities and an allowance for a receivable for a prior year land sale.

Property and Equipment - Property and equipment are recorded at cost. Maintenance and repair costs are expensed as incurred. Depreciation is computed using the straight-line method based upon estimated useful lives, generally as follows: Building and building improvements - 39 years or life of the lease; Furniture - 5-7 years; Equipment - 5-7 years; Capitalized software - 3-5 years.

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

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

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

Recent Accounting Pronouncements - In August 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-05, "Business Combinations - Joint Venture Formations" ("ASU 2023-05"), which addresses the accounting for contributions made to a joint venture. ASU 2023-05 requires joint ventures to measure all assets and liabilities upon formation at fair value. This guidance will be applied prospectively to all joint venture formations with a formation date on or after January 1, 2025. We are currently evaluating the potential impact, but we do not expect the adoption of this guidance to have a material impact on our Consolidated Financial Statements.

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within the segment measure of profit or loss. This guidance will be applied retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2023, and interim reporting periods in fiscal years beginning after December 15, 2024. We are currently evaluating the potential impact, but we do not expect the adoption of this guidance to have a material impact on our Consolidated Financial Statements.

In December 2023, the FASB issued ASU 2023-09, “Improvements to Income Tax Disclosures” (“ASU 2023-09”). ASU 2023-09 requires enhanced disclosures related to the rate reconciliation and information on income taxes paid. This guidance will be applied prospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2024. We are currently evaluating the potential impact the adoption of this guidance will have on our Consolidated Financial Statements.

In November 2024, the FASB issued ASU 2024-03, “Disaggregation of Income Statement Expenses” (“ASU 2024-03”). ASU 2024-03 requires disclosure of additional information about specific cost and expense categories in the notes to the financial statements. This guidance will be applied either prospectively or retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2026, and interim reporting periods in fiscal years beginning after December 15, 2027. We are currently evaluating the potential impact the adoption of this guidance will have on our Consolidated Financial Statements.

4. Leases

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

Our lease population at October 31, 2024 is comprised of operating leases where we are the lessee, primarily for our corporate office and division offices. As allowed by ASC 842, we made an accounting policy election to not record leases with an initial term of 12 months or less on our Consolidated Balance Sheets

Lease costs are included in our Consolidated Statements of Operations, primarily in “Selling, general and administrative” homebuilding expenses and payments on our lease liabilities are presented in the table below.

(In thousands)	Year Ended October 31,		
	2024	2023	2022
Operating lease costs	\$ 11,485	\$ 11,059	\$ 10,483
Cash payments on lease liabilities	\$ 9,344	\$ 9,293	\$ 9,605

ROU assets are classified within “Prepaid expenses and other assets” on our Consolidated Balance Sheets, while lease liabilities are classified within “Accounts payable and other liabilities.” We recorded a net increase to both ROU assets and lease liabilities of \$13.9 million as a result of new leases and lease renewals that commenced during the year ended October 31, 2024. The following table contains additional information about our leases:

(In thousands)	2024	2023
ROU assets	\$ 28,765	\$ 25,745
Lease liabilities	\$ 30,868	\$ 26,470
Weighted-average remaining lease term (in years)	4.6	5.1
Weighted-average discount rate	10.3%	10.0%

Maturities of our operating lease liabilities as of October 31, 2024 are as follows:

Fiscal Year Ending October 31,	(In thousands)
2025	\$ 11,133
2026	10,102
2027	7,585
2028	3,843
2029	1,915
Thereafter	4,085
Total operating lease payments	38,663
Less: imputed interest	(7,795)
Present value of operating lease liabilities	\$ 30,868

5. Property and Equipment

Property and equipment balances as of October 31, 2024 and 2023 were as follows:

(In thousands)	October 31,	
	2024	2023
Land and land improvements	\$ 1,292	\$ 1,563
Buildings	5,124	7,828
Building improvements	16,911	16,061
Furniture	2,969	2,793
Equipment	10,903	10,124
Capitalized software	62,902	50,630
Property and equipment	100,101	88,999
Less: accumulated depreciation	(56,670)	(55,053)
Property and equipment, net	\$ 43,431	\$ 33,946

6. Restricted Cash and Customers' Deposits

Homebuilding "Restricted cash and cash equivalents" on the Consolidated Balance Sheets totaled \$7.9 million and \$8.4 million as of October 31, 2024 and 2023, respectively, which primarily consists of cash collateralizing our letter of credit agreements and facilities (see Note 9).

Financial services restricted cash and cash equivalents, which are included in "Financial services" assets on the Consolidated Balance Sheets, totaled \$42.3 million and \$30.5 million as of October 31, 2024 and 2023, respectively. Included in these balances were (1) financial services customers' deposits of \$39.2 million and \$28.1 million as of October 31, 2024 and 2023, respectively, which are subject to restrictions on our use, and (2) restricted cash under the terms of our mortgage warehouse lines of credit of \$3.1 million and \$2.4 million as of October 31, 2024 and 2023, respectively.

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

7. Mortgage Loans Held for Sale

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

At October 31, 2024 and 2023, \$145.7 million and \$127.7 million, respectively, of mortgage loans held for sale were pledged against our mortgage warehouse lines of credit (see Note 8). We may incur losses with respect to mortgages that were previously sold that are delinquent and which had underwriting defects, but only to the extent the losses are not covered by mortgage insurance or the resale value of the home. The reserves for these estimated losses are included in "Financial services" liabilities on the Consolidated Balance Sheets. At both October 31, 2024 and 2023, we had reserves specifically for 10 identified mortgage loans as well as reserves for an estimate of future losses on mortgages sold but not yet identified to us.

The activity in our loan origination reserves in fiscal 2024 and 2023 was as follows:

(In thousands)	Year Ended October 31,	
	2024	2023
Loan origination reserves, beginning of period	\$ 2,013	\$ 1,795
Provisions for losses during the period	439	187
Adjustments to pre-existing provisions for losses from changes in estimates	68	31
Loan origination reserves, end of period	\$ 2,520	\$ 2,013

8. Mortgages

Nonrecourse

We have nonrecourse mortgage loans for certain communities totaling \$90.7 million and \$91.5 million, net of debt issuance costs, at October 31, 2024 and 2023, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$249.7 million and \$331.6 million, respectively. The weighted-average interest rate on these obligations was 8.7% and 8.5% at October 31, 2024 and 2023, respectively, and the mortgage loan payments on each community primarily correspond to home deliveries.

Mortgage Loans

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

Our secured Master Repurchase Agreement with JPMorgan Chase Bank, N.A. (“Chase Master Repurchase Agreement”) is a short-term borrowing facility that provides up to \$50.0 million through its maturity on July 31, 2025. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at an adjusted Secured Overnight Financing Rate (“SOFR”), plus the applicable margin of 2.00% to 2.25%. As of October 31, 2024 and 2023, the aggregate principal amount of all borrowings outstanding under the Chase Master Repurchase Agreement was \$7.3 million and \$31.4 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Customers Bank (“Customers Master Repurchase Agreement”) which is a short-term borrowing facility that was initially amended on July 24, 2024 to provide up to \$75.0 million through August 30, 2024, and up to \$50.0 million from and after August 31, 2024 to maturity on March 5, 2025. On August 1, 2024 there was a subsequent amendment to increase the borrowing capacity up to \$100.0 million through its maturity on March 5, 2025. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable daily or as loans are sold to permanent investors on outstanding advances at the current SOFR, plus the applicable margin ranging from 2.125% to 4.5% based on the type of loan and the number of days outstanding on the warehouse line. As of October 31, 2024 and 2023, the aggregate principal amount of all borrowings outstanding under the Customers Master Repurchase Agreement was \$78.6 million and \$41.1 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Hinsdale Bank & Trust Company, N.A. (“Hinsdale Master Repurchase Agreement”), which is a short-term borrowing facility that provides up to \$50.0 million through its maturity on July 14, 2025. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at the One-Month Term SOFR, plus an applicable margin of 1.75% subject to a floor of 2.75%. As of October 31, 2024, the aggregate principal amount of all borrowings outstanding under the Hinsdale Master Repurchase Agreement was \$45.5 million.

The Chase Master Repurchase Agreement, Customers Master Repurchase Agreement and Hinsdale Master Repurchase Agreement (together, the “Master Repurchase Agreements”) require K. Hovnanian Mortgage to satisfy and maintain specified financial ratios and other financial condition tests. Because of the extremely short period of time mortgages are held by K. Hovnanian Mortgage before the mortgages are sold to investors (generally a period of a few weeks), the immateriality to us on a consolidated basis, the size of the Master Repurchase Agreements, the levels required by these financial covenants, our ability based on our immediately available resources to contribute sufficient capital to cure any default, were such conditions to occur, and our right to cure any conditions of default based on the terms of the applicable agreement, we do not consider any of these covenants to be substantive or material. As of October 31, 2024, we believe we were in compliance with the covenants under the Master Repurchase Agreements.

9. Senior Notes and Credit Facilities

Senior secured notes, senior notes and credit facilities balances as of October 31, 2024 and October 31, 2023, were as follows:

(In thousands)	October 31, 2024	October 31, 2023
Senior Secured Notes:		
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025 (1)	\$ -	\$ 113,502
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	225,000	225,000
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	430,000	430,000
Total Senior Secured Notes	\$ 655,000	\$ 768,502
Senior Notes:		
13.5% Senior Notes due February 1, 2026 (2)	\$ 26,588	\$ 90,590
5.0% Senior Notes due February 1, 2040 (2)	24,968	90,120
Total Senior Notes	\$ 51,556	\$ 180,710
Senior Unsecured Term Loan Credit Facility due February 1, 2027 (2)	\$ -	\$ 39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (2)	\$ 175,000	\$ 81,498
Senior Secured Revolving Credit Facility (3)	\$ -	\$ -
Subtotal senior notes and credit facilities	\$ 881,556	\$ 1,070,261
Net premiums (discounts)	\$ 17,340	\$ (14,563)
Unamortized debt issuance costs	\$ (2,678)	\$ (4,207)
Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs	\$ 896,218	\$ 1,051,491

(1) On November 15, 2023, K. Hovnanian redeemed all of its \$113.5 million aggregate principal amount of 10.0% Senior Secured 1.75 Lien Notes due November 15, 2025.

(2) On May 21, 2024, K. Hovnanian exchanged \$64.0 million aggregate principal amount of 13.5% Senior Notes due February 1, 2026 and cash, \$65.2 million aggregate principal amount of 5.0% Senior Notes due February 1, 2040 and all of its \$39.6 million aggregate principal amount of loans under the Senior Unsecured Term Loan Credit Facility due February 1, 2027 and cash for an additional \$93.5 million aggregate principal amount of loans under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028.

(3) At October 31, 2024, provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. The revolving loans thereunder have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term SOFR (subject to a floor of 3.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate (subject to a floor of 4.00%) plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

As of October 31, 2024, future maturities of our borrowings were as follows (in thousands):

Fiscal Year Ending October 31, (1)	
2025	\$ -
2026	26,588
2027	-
2028	400,000
2029	430,000
Thereafter	24,968
Total	\$ 881,556

(1) Does not include our \$125.0 million Senior Secured Revolving Credit Facility under which there were no borrowings outstanding as of October 31, 2024.

General

Except for K. Hovnanian, the issuer of the notes and borrower under the credit agreements governing our term loans and revolving credit facilities (collectively, the "Credit Facilities"), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding at October 31, 2024 (collectively, the "Notes Guarantors").

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together, the “Debt Instruments”) outstanding at October 31, 2024, do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur (including through exchanges or certain other types of transactions) indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans (the “Secured Term Loans”) made under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (the “Secured Term Loan Facility”) and loans (the “Secured Revolving Loans”) made under the Senior Secured Revolving Credit Agreement due June 30, 2026 (the “Secured Credit Agreement”) or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of October 31, 2024, we believe we were in compliance with the covenants of the Debt Instruments.

If our consolidated fixed charge coverage ratio is less than 2.0 to 1.0, as defined in the applicable Debt Instrument, we are restricted from making certain payments and dividends (in the case of certain of such payments, our secured debt leverage ratio must also be less than 4.0 to 1.0), and from incurring indebtedness other than certain permitted indebtedness and nonrecourse indebtedness. Beginning as of October 31, 2021, as a result of our improved operating results, we were no longer restricted from paying dividends. As such, we have made dividend payments of \$2.7 million to preferred shareholders in every quarter since the first quarter of fiscal 2022. Dividends on the Series A preferred stock are not cumulative and, accordingly, if for any reason we do not declare a dividend on the Series A preferred stock for a quarterly dividend period (regardless of our availability of funds), holders of the Series A Preferred Stock will have no right to receive a dividend for that period, and we will have no obligation to pay a dividend for that period.

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

Fiscal 2024

On November 15, 2023, K. Hovnanian redeemed in full all of the \$113.5 million aggregate principal amount of its 10.0% Senior Secured 1.75 Lien Notes due 2025 for a redemption price of \$119.2 million, which included accrued and unpaid interest. This redemption resulted in a gain on extinguishment of debt of \$1.4 million for the fiscal year ended October 31, 2024, including the write-off of unamortized premiums, debt issuance costs and fees. The gain from the redemption is included in “Gain (loss) on extinguishment of debt, net” in the Consolidated Statement of Operations.

On May 21, 2024, K. Hovnanian and the Notes Guarantors entered into certain exchange agreements, pursuant to which K. Hovnanian, the Notes Guarantors and affiliates of certain investment managers named therein (collectively in respect of the Exchange Agreements, the “Investors”) completed certain private exchanges (collectively, the “Exchanges”) of (i) \$64.0 million aggregate principal amount of 13.5% 2026 Notes (as defined below) and \$21.5 million in cash for \$42.5 million aggregate principal amount of additional Secured Term Loans, (ii) \$65.2 million aggregate principal amount of 5.0% 2040 Notes (as defined below) for \$31.4 million aggregate principal amount of additional Secured Term Loans and (iii) \$39.6 million aggregate principal amount of Unsecured Term Loans and \$10.0 million in cash for \$19.6 million aggregate principal amount of additional Secured Term Loans. Following the consummation of the Exchanges, there are \$26.6 million aggregate principal amount of 13.5% 2026 Notes outstanding, \$25.0 million aggregate principal amount of 5.0% 2040 Notes outstanding and no Unsecured Term Loans outstanding, in total equaling \$51.6 million aggregate principal amount of indebtedness under these instruments outstanding (such amount, the “Remaining Unsecured Notes Amount”). As a result of the Exchanges, all outstanding obligations in respect of principal, interest and fees under the Unsecured Term Loan Facility and all commitments thereunder were terminated.

In connection with the Exchanges, K. Hovnanian, the Notes Guarantors and the Investors entered into the First Amendment to the Secured Term Loan Facility (the “First Amendment” and the Secured Term Loan Facility as amended, the “Amended Secured Term Loan Facility”), providing for, among other things, (i) the issuance of the \$93.5 million aggregate principal amount of additional Secured Term Loans described above and (ii) certain other modifications and amendments, primarily related to indebtedness permitted to be incurred by K. Hovnanian and the Notes Guarantors thereunder, including providing that the interest rate on all the then outstanding Secured Term Loans shall be increased in certain circumstances when certain priority secured debt is issued, to a weighted-average rate that results from applying (x) an 11.75% per annum rate to the principal amount of the Secured Terms Loans equal to a specified aggregate principal amount of such priority secured debt and (y) a 10.0% per annum rate on the remaining principal amount of Secured Term Loans (the “Interest Rate Increase”). The Secured Term Loans bear interest at a rate equal to 10.0% per annum (subject to the Interest Rate Increase) and will mature on January 31, 2028, with interest payable in arrears on the last business day of each fiscal quarter. Following consummation of the Exchanges, the total outstanding principal amount of Secured Term Loans under the Secured Term Loan Facility is \$175.0 million.

Fiscal 2023

On May 30, 2023, K. Hovnanian redeemed \$100.0 million aggregate principal amount of its 7.75% Senior Secured 1.125 Lien Notes due 2026 (the “Existing 1.125 Lien Notes”). The aggregate purchase price for this redemption was \$104.2 million, which included accrued and unpaid interest and which was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$4.1 million for the fiscal year ended October 31, 2023, including the write-off of unamortized debt issuance costs and fees. The loss from the redemption is included in the Consolidated Statement of Operations as “Loss on extinguishment of debt, net.”

On August 29, 2023, K. Hovnanian redeemed an additional \$100.0 million aggregate principal amount of the Existing 1.125 Lien Notes. The aggregate purchase price for this redemption was \$102.2 million, which included accrued and unpaid interest and which was funded with cash on hand. This redemption resulted in a loss on extinguishment of debt of \$3.8 million for the fiscal year ended October 31, 2023, including the write-off of unamortized debt issuance costs and fees. The loss from the redemption is included in the Consolidated Statement of Operations as “Loss on extinguishment of debt, net”.

On September 7, 2023, K. Hovnanian repurchased in the open market \$45.0 million aggregate principal amount of its 10.0% 1.75 Lien Notes due 2025 (the “1.75 Lien Notes”). The aggregate purchase price for this repurchase was \$46.7 million, which included accrued and unpaid interest and which was funded with cash on hand. This repurchase resulted in a gain on extinguishment of debt of \$0.2 million for the fiscal year ended October 31, 2023, including the write-off of unamortized debt issuance costs and fees. The gain from the repurchase is included in the Consolidated Statement of Operations as “Loss on extinguishment of debt, net”.

On September 25, 2023, HEI, K. Hovnanian and the Notes Guarantors entered into the Third Amendment (the “Third Amendment”) to the Secured Credit Agreement, dated as of October 31, 2019 (as amended by the First Amendment to the Credit Agreement, dated as of November 27, 2019, and by the Second Amendment to the Credit Agreement, dated as of August 19, 2022), by and among K. Hovnanian, the Company, the other guarantors party thereto, Wilmington Trust, National Association, as administrative agent, and the lenders party thereto, which provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. The Third Amendment (i) extended the final scheduled maturity of the Revolving Credit Facility from June 30, 2024 to June 30, 2026, (ii) increased the interest rate floor applicable to term secured overnight financing loans from 1.0% to 3.0% and (iii) provided for certain other amendments. Borrowings under the Revolving Credit Facility bear interest, at K. Hovnanian’s option, at either (a) term SOFR (subject to a floor of 3.0%) plus an applicable margin of 4.5% or (b) an alternate base rate (subject to a floor of 4.0%) plus an applicable margin of 3.5%. In addition, K. Hovnanian pays an unused commitment fee on the undrawn revolving commitments at a rate of 1.0% per annum. The foregoing amendments took effect on October 5, 2023.

On October 5, 2023, K. Hovnanian issued and sold to investment funds, separate accounts and/or other entities owned (in whole or in part), controlled, managed and/or advised by Angelo, Gordon & Co., L.P. (collectively, “Angelo Gordon”), investment funds, separate accounts and/or other entities owned (in whole or in part), controlled, managed and/or advised by Apollo Capital Management, L.P. (collectively, “Apollo” and, together with Angelo Gordon, the “Specified Persons”), and certain other institutional purchasers, in a private placement, \$225.0 million aggregate principal amount of 8.0% Senior Secured 1.125 Lien Notes due 2028 (the “New 1.125 Lien Notes”) and \$430.0 million aggregate principal amount of 11.75% Senior Secured 1.25 Lien Notes due 2029 (the “New 1.25 Lien Notes”). Under the terms of the indentures governing the New 1.125 Lien Notes and the 1.25 Lien Notes, K. Hovnanian will have the ability to issue additional notes under the indenture that governs the New 1.25 Lien Notes (the “Additional 1.25 Lien Notes”) in exchange for Specified Junior Debt (as defined below) or to purchase certain Specified Junior Debt. K. Hovnanian has agreed that the Specified Persons may, at their option from time to time, exchange certain junior lien and/or unsecured indebtedness of K. Hovnanian (the “Specified Junior Debt”) into a principal amount of Additional 1.25 Lien Notes not to exceed \$150.0 million in the aggregate. In any such exchange, K. Hovnanian will be required to issue a principal amount of Additional 1.25 Lien Notes equal to (i) the price at which the Specified Persons acquired such Specified Junior Debt (the “Specified Person Purchase Price”) plus (ii) 20% of the difference between the principal amount of such Specified Junior Debt and the Specified Person Purchase Price (such sum, the “Company Acquisition Price”), provided that, the Company Acquisition Price shall be reduced, if applicable, such that the per annum interest expense on the applicable issuance of Additional 1.25 Lien Notes does not exceed the per annum interest expense on the applicable Specified Junior Debt being exchanged. In addition, K. Hovnanian will have the option to purchase such Specified Junior Debt in cash at the Company Acquisition Price in lieu of consummating any such exchange.

On October 5, 2023, K. Hovnanian redeemed with the proceeds from the issuances of the New 1.125 Lien Notes and the New 1.25 Lien Notes all of the remaining (i) \$50.0 million aggregate principal amount of its Existing 1.125 Lien Notes for a redemption price of \$51.5 million, which included accrued and unpaid interest, (ii) \$282.3 million aggregate principal amount of its 10.5% Senior Secured 1.25 Lien Notes due 2026 (the “Existing 1.25 Lien Notes”) for a redemption price of \$293.9 million, which included accrued and unpaid interest, and (iii) \$162.3 million aggregate principal amount of its 11.25% Senior Secured 1.5 Lien Notes due 2026 (the “1.5 Lien Notes”) for a redemption price of \$164.8 million, which included accrued and unpaid interest. These redemptions resulted in a loss on extinguishment of debt of \$17.9 million for the fiscal year ended October 31, 2023, including the write-off of unamortized debt issuance costs and fees. The loss from the redemptions is included in the Consolidated Statement of Operations as “Loss on extinguishment of debt, net”.

On October 31, 2023, K. Hovnanian redeemed in full all of the \$26.0 million aggregate principal amount of its 8.0% 2027 Notes for a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest.

Secured Obligations

The Secured Credit Agreement provides for up to \$125.0 million in aggregate amount of Secured Revolving Loans to be used for general corporate purposes, upon the terms and subject to the conditions set forth therein. Secured Revolving Loans are to be borrowed by K. Hovnanian and guaranteed by the Notes Guarantors. The revolving loans under the Secured Credit Agreement have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian’s option, at either (i) SOFR (subject to a floor of 3.00%) plus an applicable margin of 4.5% or (ii) an alternate base rate (subject to a floor of 4.0%) plus an applicable margin of 3.5%. In addition, K. Hovnanian pays an unused commitment fee on the undrawn revolving commitments at a rate of 1.0% per annum.

The 8.0% Senior Secured 1.125 Lien Notes due 2028 (the “New 1.125 Lien Notes”) have a maturity of September 30, 2028 and bear interest at a rate of 8.0% per annum payable semi-annually on March 30 and September 30 of each year to holders of record at the close of business on March 15 and September 15, as the case may be, immediately preceding such interest payment dates. The New 1.125 Lien Notes are redeemable in whole or in part at K. Hovnanian’s option at any time prior to September 30, 2025 at a redemption price equal to 100% of their principal amount plus an applicable “Make Whole Amount”. K. Hovnanian may also redeem some or all of the New 1.125 Lien Notes at 104.0% of their principal amount commencing on September 30, 2025, at 102.0% of their principal amount commencing on September 30, 2026 and at 100.0% of their principal amount commencing September 30, 2027. In addition, K. Hovnanian may also redeem up to 35.0% of the aggregate principal amount of New 1.125 Lien Notes prior to September 30, 2025 with the net cash proceeds from certain equity offerings at 108.0% of their principal amount.

The 11.75% Senior Secured 1.25 Lien Notes due 2029 (the “New 1.25 Lien Notes”) have a maturity of September 30, 2029 and bear interest at a rate of 11.75% per annum payable semi-annually on March 30 and September 30 of each year to holders of record at the close of business on March 15 and September 15, as the case may be, immediately preceding such interest payment dates. The New 1.25 Lien Notes are redeemable in whole or in part at K. Hovnanian’s option at any time prior to March 30, 2026 at a redemption price equal to 100% of their principal amount plus an applicable “Make Whole Amount”. K. Hovnanian may also redeem some or all of the New 1.25 Lien Notes at 105.875% of their principal amount commencing on March 30, 2026, at 102.9375% of their principal amount commencing on September 30, 2027 and at 100.0% of their principal amount commencing on September 30, 2028. In addition, K. Hovnanian may also redeem up to 35.0% of the aggregate principal amount of New 1.25 Lien Notes prior to March 30, 2026, with the net cash proceeds from certain equity offerings at 111.75% of their principal amount.

The Secured Term Loans bear interest at a rate equal to 10.0% per annum (subject to increase as described above under “- Fiscal 2024”) and will mature on January 31, 2028, with interest payable in arrears on the last business day of each fiscal quarter. At any time and from time to time after November 15, 2023, K. Hovnanian may voluntarily prepay some or all of the Secured Term Loans at a prepayment price equal to 100.0% of their principal amount.

Each series of secured notes and the guarantees thereof, the Secured Term Loans and the guarantees thereof and the Secured Credit Agreement and the guarantees thereof are secured by the same assets. Among the secured debt (in each case, with respect to the assets securing such debt): the liens securing the Secured Credit Agreement are senior to the liens securing all of K. Hovnanian’s other secured notes and the Secured Term Loans; the liens securing the New 1.125 Lien Notes are senior to the liens securing the New 1.25 Lien Notes, the Secured Term Loans and any other future secured obligations that are junior in priority with respect to the assets securing the New 1.125 Lien Notes; the liens securing the New 1.25 Lien Notes are senior to the liens securing the Secured Term Loans and any other future secured obligations that are junior in priority with respect to the assets securing the New 1.25 Lien Notes; and the liens securing the Secured Term Loans are senior to any other future secured obligations that are junior in priority with respect to the assets securing the Secured Term Loans.

As of October 31, 2024, the collateral securing the Secured Credit Agreement, the Secured Term Loan Facility and the senior secured notes included (1) \$216.2 million of cash and cash equivalents, which included \$3.2 million of restricted cash collateralizing certain letters of credit (subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries); (2) \$655.1 million aggregate book value of real property, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised; and (3) equity interests in joint venture holding companies with an aggregate book value of \$140.5 million.

Unsecured Obligations

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

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

Other

We have certain stand-alone cash collateralized letter of credit agreements and facilities under which there was a total of \$2.6 million and \$4.9 million letters of credit outstanding at October 31, 2024 and October 31, 2023, respectively. These agreements and facilities require us to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash we have available for other uses. At October 31, 2024 and October 31, 2023, the amount of cash collateral in these segregated accounts was \$3.2 million and \$5.1 million, respectively, which is reflected in “Restricted cash and cash equivalents” on the Consolidated Balance Sheets.

10. Operating and Reporting Segments

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

We currently have homebuilding operations in 13 states that are aggregated into reportable segments based primarily upon geographic proximity.

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

Homebuilding:

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

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

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

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

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

Financial information relating to our reportable segments are as follows:

(In thousands)	Year Ended October 31,		
	2024	2023	2022
Revenues:			
Northeast	\$ 1,036,049	\$ 968,851	\$ 1,085,081
Southeast	448,902	420,296	323,961
West	1,437,894	1,295,992	1,450,632
Total homebuilding	2,922,845	2,685,139	2,859,674
Financial services	74,064	60,088	61,540
Corporate and unallocated	8,009	10,789	1,017
Total revenues	\$ 3,004,918	\$ 2,756,016	\$ 2,922,231
Income before income taxes:			
Northeast	\$ 190,477	\$ 178,516	\$ 177,406
Southeast	77,613	77,750	60,178
West	123,246	114,084	207,519
Total homebuilding	391,336	370,350	445,103
Financial services	24,124	19,365	19,121
Corporate and unallocated (1)	(98,371)	(133,764)	(144,471)
Income before income taxes	\$ 317,089	\$ 255,951	\$ 319,753

(1) Corporate and unallocated for the year ended October 31, 2024 included corporate general and administrative expenses of \$139.7 million, gain on extinguishment of debt of \$1.4 million and \$(39.9) million of other (income) expenses, net. Corporate and unallocated for the year ended October 31, 2023 included corporate general and administrative expenses of \$103.2 million, interest expense of \$17.7 million, loss on extinguishment of debt of \$25.6 million and \$(12.7) million of other (income) expenses, net. Corporate and unallocated for the year ended October 31, 2022 included corporate general and administrative expenses of \$102.6 million, interest expense of \$28.6 million, loss on extinguishment of debt of \$6.8 million and \$6.5 million of other (income) expenses, net.

(In thousands)	October 31,	
	2024	2023
Assets:		
Northeast	\$ 664,064	\$ 483,784
Southeast	296,058	286,701
West	889,704	733,318
Total homebuilding	1,849,826	1,503,803
Financial services	203,589	168,671
Corporate and unallocated	552,159	820,466
Total assets	\$ 2,605,574	\$ 2,492,940

(In thousands)	October 31,	
	2024	2023
Investments in and advances to unconsolidated joint ventures:		
Northeast	\$ 79,659	\$ 56,758
Southeast	55,344	35,262
West	6,348	4,503
Total homebuilding	141,351	96,523
Corporate and unallocated	1,559	1,363
Total investments in and advances to unconsolidated joint ventures	\$ 142,910	\$ 97,886

(In thousands)	Year Ended October 31,		
	2024	2023	2022
Homebuilding interest expense:			
Northeast	\$ 33,459	\$ 32,071	\$ 31,552
Southeast	21,071	20,055	17,403
West	66,029	65,068	55,056
Total homebuilding	120,559	117,194	104,011
Corporate and unallocated	-	17,707	28,572
Financial services interest expense (income) (1)	125	1	(213)
Total interest expense, net	\$ 120,684	\$ 134,902	\$ 132,370

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

(In thousands)	Year Ended October 31,		
	2024	2023	2022
Depreciation:			
Northeast	\$ 1,241	\$ 4,352	\$ 1,542
Southeast	392	444	291
West	1,475	1,325	1,298
Total homebuilding	3,108	6,121	3,131
Financial services	251	-	5
Corporate and unallocated	4,371	2,677	2,321
Total depreciation	\$ 7,730	\$ 8,798	\$ 5,457

(In thousands)	Year Ended October 31,		
	2024	2023	2022
Net additions to property and equipment:			
Northeast	\$ 1,211	\$ 1,678	\$ 1,848
Southeast	1,172	263	229
West	1,578	1,599	1,841
Total homebuilding	3,961	3,540	3,918
Financial services	621	1,040	28
Corporate and unallocated	13,277	14,241	8,646
Total net additions to property and equipment	\$ 17,859	\$ 18,821	\$ 12,592

(In thousands)	Year Ended October 31,		
	2024	2023	2022
Equity in earnings from unconsolidated joint ventures:			
Northeast	\$ 26,899	\$ 27,253	\$ 12,674
Southeast	19,459	15,696	16,359
West	5,904	211	-
Total equity in earnings from unconsolidated joint ventures	\$ 52,262	\$ 43,160	\$ 29,033

11. Income Taxes

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

(In thousands)	October 31,	
	2024	2023
State income taxes:		
Current	\$ 5,479	\$ 1,861
Deferred	(76,571)	(74,110)
Federal income taxes:		
Current	-	-
Deferred	(164,493)	(228,723)
Total	\$ (235,585)	\$ (300,972)

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

(In thousands)	Year Ended October 31,		
	2024	2023	2022
Current income tax expense:			
Federal (1)	\$ -	\$ -	\$ -
State (2)	13,312	8,101	13,377
Total current income tax expense:	13,312	8,101	13,377
Federal	64,230	46,821	60,064
State	(2,461)	(4,862)	20,822
Total deferred income tax expense:	61,769	41,959	80,886
Total	\$ 75,081	\$ 50,060	\$ 94,263

- (1) The current federal income tax expense is net of the use of federal net operating losses totaling \$290.1 million (tax effected \$60.9 million), \$221.2 million (tax effected \$46.4 million) and \$306.0 million (tax effected \$64.3 million) for the years ended October 31, 2024, 2023 and 2022, respectively.
- (2) The current state income tax expense is net of the use of state net operating losses totaling \$110.0 million (tax effected \$8.6 million), \$113.3 million (tax effected \$8.3 million) and \$80.1 million (tax effected \$5.8 million) for the years ended October 31, 2024, 2023 and 2022, respectively.

The total income tax expense of \$75.1 million, \$50.1 million and \$94.3 million for the years ended October 31, 2024, 2023 and 2022, respectively, was primarily driven by federal and state tax expense on income before income taxes and non-deductible executive compensation, partially offset by the generation of energy efficient home tax credits. Income tax expense for fiscal years 2024 and 2023 also includes the favorable impact of releasing state valuation allowances. The federal tax expense for all periods presented was not paid in cash as it was offset by the use of our existing net operating loss ("NOL") carryforwards.

As of October 31, 2024, we have remaining federal NOL carryforwards of \$398.8 million that expire between 2031 and 2038, and \$15.7 million have an indefinite carryforward period. Our total remaining state NOL carryforwards are \$1.9 billion: \$853.6 million that expire between 2025 through 2029; \$694.4 million that expire between 2030 through 2034; \$254.0 million that expire between 2035 through 2039; \$5.6 million that expire between 2040 through 2044; and \$45.0 million that have an indefinite carryforward period.

The Company recognizes deferred income taxes for deferred tax benefits arising from NOL carryforwards and temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. As part of our analysis, we considered both positive and negative factors that impact profitability and whether those factors would lead to a change in estimate of our deferred tax assets ("DTAs") that may be realized in the future. As of October 31, 2024, the Company has determined that it is more likely than not that sufficient taxable income will be generated in the future to realize its DTAs, net of any valuation allowance.

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

(In thousands)	October 31,	
	2024	2023
Deferred tax assets:		
Impairments	\$ 22,742	\$ 26,168
Capitalized expenses	4,420	3,692
Warranty reserves	4,319	4,439
Incentive compensation	13,777	15,252
Provision for losses	15,236	16,915
Federal net operating losses	87,041	147,841
State net operating losses	123,673	136,257
Tax credit carryforwards	27,482	21,260
Other	10,699	9,631
Total deferred tax assets	309,389	381,455
Deferred tax liabilities:		
Inventory valuation differences	(8,610)	-
Joint ventures	(4,017)	(6,743)
Total deferred tax liabilities	(12,627)	(6,743)
Valuation allowance	(55,698)	(71,879)
Deferred tax assets, net	\$ 241,064	\$ 302,833

Our effective tax rate varied from the statutory federal income tax rate. The effective tax rate is affected by a number of factors. The sources of these factors were as follows:

	Year Ended October 31,		
	2024	2023	2022
Federal statutory income tax rate	21.0%	21.0%	21.0%
State income taxes, net of federal income tax benefit	6.6	6.1	5.0
Non-deductible compensation	2.3	1.4	1.2
Permanent differences, net	(0.1)	(0.4)	(0.4)
Deferred tax asset valuation allowance	(4.1)	(6.3)	4.8
Tax credits	(2.0)	(2.2)	(2.0)
Other	-	-	(0.1)
Effective tax rate	23.7%	19.6%	29.5%

At October 31, 2024, and 2023, we do not have any unrecognized tax benefits or open tax positions. Our policy is to accrue interest and penalties on unrecognized tax benefits and include them in the provision for income taxes.

The consolidated federal tax returns have been audited through October 31, 2023 and these years are closed. We are also subject to various income tax examinations in the states in which we do business. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit, appeal, and in some cases, litigation process. As each audit is concluded, adjustments, if any, are recorded in the period determined. To provide for potential exposures, tax reserves are recorded, if applicable, based on reasonable estimates of potential audit results. However, if the reserves are insufficient upon completion of an audit, there could be an adverse impact on our financial position and results of operations. The statute of limitations for our major tax jurisdictions remains open for examination for tax years 2020 to 2023.

12. Reduction of Inventory to Fair Value

We had 469, 380 and 374 communities under development and held for future development or sale at October 31, 2024, 2023 and 2022, respectively, which we evaluated for impairment indicators (i.e., those with a projected operating loss). We identified impairment indicators in four of our communities with an aggregate carrying value of \$41.1 million during the year ended October 31, 2024. The impairment analyses resulted in impairment charges of \$10.0 million. We performed an undiscounted future cash flow analysis for one community during the year ended October 31, 2023, for which we had recorded an impairment in the prior year. As a result of such analysis, we did not identify any additional impairment for the community. During the year ended October 31, 2022, one community, with a carrying value of \$10.6 million, had an impairment indicator. The impairment analysis resulted in an impairment charge of \$8.4 million. Our aggregate impairment charges are included within "Inventory impairments and land option write-offs" in the Consolidated Statement of Operations and deducted from inventory.

The following table represents impairments by segment for fiscal 2024 and 2022:

(Dollars in millions)	Year Ended October 31, 2024		
	Number of Communities	Dollar Amount of Impairment	Pre-Impairment Value (1)
Northeast	2	\$ 4.8	\$ 16.0
Southeast	-	-	-
West	2	5.2	25.0
Total	4	\$ 10.0	\$ 41.0

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

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

Write-offs of options, engineering and capitalized interest costs are also recorded in "Inventory impairments and land option write-offs" when we redesign communities, abandon certain engineering costs or do not exercise options in various locations because the pro forma profitability is not projected to produce adequate returns on investment commensurate with the risk. The total aggregate write-offs related to these items were \$1.6 million, \$1.5 million and \$5.7 million for the years ended October 31, 2024, 2023 and 2022, respectively. Occasionally, these write-offs are offset by recovered deposits, sometimes through legal action, which had been written off in a prior period as walk-away costs. Historically, these recoveries have not been significant in comparison to the total costs written off.

The following table represents write-offs of such costs by segment for fiscal 2024, 2023 and 2022:

(In millions)	Year Ended October 31,		
	2024	2023	2022
Northeast	\$ 0.4	\$ 0.5	\$ 0.4
Southeast	0.9	0.5	0.9
West	0.3	0.5	4.4
Total	\$ 1.6	\$ 1.5	\$ 5.7

13. Per Share Calculations

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

(In thousands, except per share data)	Year Ended October 31,		
	2024	2023	2022
Numerator:			
Net income	\$ 242,008	\$ 205,891	\$ 225,490
Less: preferred stock dividends	(10,675)	(10,675)	(10,675)
Less: undistributed earnings allocated to participating securities	(8,454)	(16,027)	(19,702)
Numerator for basic earnings per share	\$ 222,879	\$ 179,189	\$ 195,113
Plus: undistributed earnings allocated to participating securities	8,454	16,027	19,702
Less: undistributed earnings reallocated to participating securities	(8,605)	(16,058)	(19,717)
Numerator for diluted earnings per share	\$ 222,728	\$ 179,158	\$ 195,098
Denominator:			
Denominator for basic earnings per share – weighted average shares outstanding	6,479	6,230	6,437
Effect of dilutive securities:			
Stock-based payments	528	436	291
Denominator for diluted earnings per share – weighted-average shares outstanding	7,007	6,666	6,728
Basic earnings per share	\$ 34.40	\$ 28.76	\$ 30.31
Diluted earnings per share	\$ 31.79	\$ 26.88	\$ 29.00

There were no anti-dilutive shares in fiscal 2024. Anti-dilutive shares were immaterial in fiscal 2023 and 2022.

14. Capital Stock

Common Stock

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

On August 4, 2008, the Board of Directors of the Company (the “Board”) adopted a shareholder rights plan (the “Rights Plan”), which was amended on January 11, 2018, January 18, 2021 and January 11, 2024, designed to preserve shareholder value and the value of certain tax assets primarily associated with NOL carryforwards and built-in losses under Section 382 of the Internal Revenue Code. Our ability to use NOLs and built-in losses would be limited if there was an “ownership change” under Section 382. This would occur if shareholders owning (or deemed under Section 382 to own) 5% or more of our stock increase their collective ownership of the aggregate amount of our outstanding shares by more than 50 percentage points over a defined period of time. The Rights Plan was adopted to reduce the likelihood of an “ownership change” occurring as defined by Section 382. Under the Rights Plan, one right was distributed for each share of Class A common stock and Class B common stock outstanding as of the close of business on August 15, 2008. Effective August 15, 2008, if any person or group acquires 4.9% or more of the outstanding shares of Class A common stock without the approval of the Board, there would be a triggering event causing significant dilution in the voting power of such person or group. However, existing shareholders who owned, at the time of the Rights Plan’s initial adoption on August 4, 2008, 4.9% or more of the outstanding shares of Class A common stock will trigger a dilutive event only if they acquire additional shares. The approval of the Board’s decision to adopt the Rights Plan may be terminated by the Board at any time prior to the Rights being triggered. The Rights Plan will continue in effect until August 14, 2027, unless it expires earlier in accordance with its terms. The approval of the Board’s decision to initially adopt the Rights Plan and Amendment Nos. 1, 2 and 3 thereto were approved by shareholders. Our shareholders also approved an amendment to our Certificate of Incorporation to restrict certain transfers of Class A common stock in order to preserve the tax treatment of our NOLs and built-in losses under Section 382 of the Internal Revenue Code. Subject to certain exceptions pertaining to pre-existing 5% shareholders and holders of Class B common stock, the transfer restrictions in our Restated Certificate of Incorporation generally restrict any direct or indirect transfer (such as transfers of our stock that result from the transfer of interests in other entities that own our stock) if the effect would be to (i) increase the direct or indirect ownership of our stock by any person (or public group) from less than 5% to 5% or more of our common stock; (ii) increase the percentage of our common stock owned directly or indirectly by a person (or public group) owning or deemed to own 5% or more of our common stock; or (iii) create a new “public group” (as defined in the applicable U.S. Treasury regulations). Transfers included under the transfer restrictions include sales to persons (or public groups) whose resulting percentage ownership (direct or indirect) of common stock would exceed the 5% thresholds discussed above, or to persons whose direct or indirect ownership of common stock would by attribution cause another person (or public group) to exceed such threshold.

On September 1, 2022, the Board authorized a repurchase program for up to \$50.0 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date. As of October 31, 2024, \$6.5 million of our Class A common stock is available for repurchase under the stock repurchase program.

Preferred Stock

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on the Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A preferred stock. The depositary shares are listed on the NASDAQ Global Market under the symbol "HOVNP." During each of fiscal 2024, 2023 and 2022 we paid dividends of \$10.7 million on the Series A preferred stock.

Retirement Plan

We have established a tax-qualified, defined contribution savings and investment retirement plan ("401(k) plan"). All associates are eligible to participate in the retirement plan, and employer contributions are based on a percentage of associate contributions and our operating results. 401(k) plan expenses were \$8.8 million, \$8.2 million and \$8.3 million for the years ended October 31, 2024, 2023 and 2022, respectively.

Treasury Stock

During the year ended October 31, 2024, we repurchased 188,800 shares under our stock repurchase program, with a market value of \$26.5 million, or \$140.31 per share, which were added to "Treasury stock" on our Consolidated Balance Sheets as of October 31, 2024. During the year ended October 31, 2023, we repurchased 118,478 shares under our stock repurchase program, with a market value of \$4.8 million, or \$40.51 per share. During the year ended October 31, 2022, we repurchased 312,471 shares under our stock repurchase program, with a market value of \$12.2 million, or \$39.12 per share.

15. Stock-Based Compensation Plans

We have stock incentive plans for certain officers, key employees and directors that are approved by a committee appointed by the Board or its delegate. As of October 31, 2024, we had 0.5 million shares authorized and remaining for future issuance under our stock incentive plans. Based on the terms of our stock incentive plans, awards that are forfeited become available to us for future grants.

Stock Options

Prior to fiscal 2022, stock options were granted. There have been no stock option grants during fiscal years 2024, 2023 or 2022. The exercise price of all stock options is at least equal to the fair market value of an underlying share of our Class A common stock on the date of the grant. The fair value of each stock option is estimated using the Black-Scholes option-pricing model. Stock options granted to officers and associates generally vest in four equal installments on the second, third, fourth and fifth anniversaries of the date of the grant. Non-employee directors' stock options vest in three equal installments on the first, second and third anniversaries of the date of the grant. All stock options expire on the tenth anniversary from the date of grant.

The following table summarizes stock option activity as of October 31, 2024:

	October 31, 2024	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Stock options outstanding at beginning of period	143,547	\$ 34.63		
Granted	-	\$ -		
Exercised	(12,533)	\$ 70.55		
Forfeited	-	\$ -		
Expired	-	\$ -		
Stock options outstanding at end of period	131,014	\$ 31.19	3.6	\$ 18,977,000
Stock options exercisable at end of period	131,014	\$ 31.19	3.6	\$ 18,977,000

The total intrinsic value of stock options exercised during fiscal 2024 was \$1.4 million and in both fiscal 2023 and 2022, it was \$0.2 million. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price.

Based on the fair value at the time of grant, the per share weighted-average fair value of stock options vested in fiscal 2024, 2023 and 2022 was \$9.50, \$6.29 and \$16.46, respectively.

RSUs and Performance Units

RSUs are measured based upon the fair value of a share of our Class A common stock on the date of grant. Shares underlying RSUs granted to officers and associates generally vest in four equal installments on the first, second, third, and fourth anniversaries of the grant date. During fiscal year 2024, each of our six existing non-employee directors were granted RSUs subject to a two-year post-vesting holding period. Generally, participants aged 60 years or older, or aged 58 with 15 years of service, are eligible to vest in their awards on an accelerated basis upon their retirement.

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

The following table summarizes nonvested time-based RSU and MSU share activity as of October 31, 2024:

	October 31, 2024	Weighted-Average Grant Date Fair Value
Nonvested time-based at beginning of period	132,143	\$ 52.79
Granted	62,988	\$ 114.65
Vested (1)	(78,627)	\$ 37.35
Forfeited	(4,735)	\$ 92.19
Nonvested time-based at end of period	111,769	\$ 96.73

The following table summarizes nonvested performance-based LTIP, PSU and MSU share activity as of October 31, 2024:

	October 31, 2024	Weighted-Average Grant Date Fair Value
Nonvested performance-based at beginning of period	581,500	\$ 73.90
Granted	140,593	\$ 84.51
Vested (1)	(358,825)	\$ 50.92
Forfeited	(10,067)	\$ 67.20
Nonvested performance-based at end of period	353,201	\$ 57.98

(1) Includes 9,058 time-based vested share awards and 329,583 performance-based vested share awards which were deferred and not yet issued as of October 31, 2024.

LTIP awards include share adjustments for the difference between target performance metrics at the time of grant and the final performance outcome. Share adjustments are reflected in the “Granted” line above at the time the performance is finalized. Each of the 2024, 2023 and 2022 LTIP awards are subject to cliff vesting at the end of the performance period.

The fair value of LTIP and PSUs (discussed below) is determined using the Finnerty model, which uses an arithmetic average strike, put option. The strike price is based on the predetermined period average value of the underlying asset. The following assumptions were used for the 2024 LTIP grants: historical volatility factor of 66.65% based on the expected market price of our Class A common stock for the two-year period ending on the valuation date, concluded stock price assumption of 4.32% equal to the continuously compounded two-year yield and a dividend yield of zero. The following assumptions were used for the 2023 LTIP grants: historical volatility factor of 75.29% based on the expected market price of our Class A common stock for the two-year period ending on the valuation date, concluded stock price assumption of 4.19% equal to the continuously compounded two-year yield and a dividend yield of zero. The following assumptions were used for the 2022 LTIP grants: historical volatility factor of 104.16% based on the expected market price of our Class A common stock for the two-year period ending on the valuation date, concluded stock price assumption of 0.67% equal to the continuously compounded two-year yield and a dividend yield of zero.

PSUs granted in fiscal 2020 vest in four equal installments commencing on the second, third, fourth and fifth anniversary of the grant date, except that no portion of the award will vest unless the Board determines that the Company achieved specified earnings goals. PSUs granted subsequent to fiscal 2020 are subject to cliff vesting on the third year after the grant date. The following assumptions were used for the 2024 PSU grants: historical volatility factor of 64.61% based on the expected market price of our Class A common stock for the two-year period ending on the valuation date, concluded stock price assumption of 4.62% equal to the continuously compounded two-year yield and a dividend yield of zero. The following assumptions were used for the 2023 PSU grants: historical volatility factor of 66.66% based on the expected market price of our Class A common stock for the two-year period ending on the valuation date, concluded stock price assumption of 4.54% equal to the continuously compounded two-year yield and a dividend yield of zero. The following assumptions were used for the 2022 PSU grants: historical volatility factor of 78.82% based on the expected market price of our Class A common stock for the two-year period ending on the valuation date, concluded stock price assumption of 3.04% equal to the continuously compounded two-year yield and a dividend yield of zero.

There were no MSUs granted in fiscal 2024, 2023 and 2022. The fair value of MSUs is determined using the Monte-Carlo simulation model. The first 50% of an MSU grant vests in four equal annual installments, commencing on the second anniversary from the date of grant, subject to stock price performance conditions, pursuant to which the actual number of shares issuable with respect to vested MSUs may range from 0% to 200% of the target number of shares under each MSU award, generally depending on the growth in the 60-day average trading price of the Company's shares during the period between the grant date and the relevant vesting dates. The remaining 50% of an MSU grant is subject to financial performance conditions in addition to the stock price performance conditions. These remaining MSUs vest in four equal installments with the first installment vesting on the third January 1st after the grant date, and the remaining annual installments commencing on the third anniversary from the date of grant, except that no portion of the award will vest unless the Board determines the Company achieved certain specified performance goals.

The total grant date fair value of RSU and performance unit awards granted during fiscal 2024, 2023 and 2022 was \$14.8 million, \$10.4 million and \$9.6 million, respectively. The total fair value of these awards vested during fiscal 2024, 2023 and 2022 was \$21.2 million, \$25.2 million and \$15.6 million, respectively.

During the year-ended October 31, 2024 we issued 58,716 RSUs, 34,904 MSUs and 44,887 PSU shares. As of October 31, 2024, there was \$9.3 million of unrecognized stock-based compensation, which is primarily comprised of unrecognized expenses for RSUs, PSUs, and the stock portion of LTIPs. The cost is expected to be recognized over a weighted-average period of 2.77 years.

Stock-Based Compensation Expense

For the years ended October 31, 2024, 2023 and 2022, stock-based compensation expense was \$25.3 million (\$19.3 million post tax), \$14.2 million (\$11.4 million post tax) and \$10.3 million (\$7.3 million post tax), respectively. Stock-based compensation for RSUs, MSUs, PSUs, and the stock portion of LTIPs was \$25.3 million, \$14.2 million and \$10.2 million for fiscal 2024, 2023 and 2022, respectively. In addition, stock option compensation expense was \$5 thousand, \$27 thousand and \$0.1 million for the years ended October 31, 2024, 2023 and 2022, respectively.

16. Warranty Costs

General liability insurance for homebuilding companies and their suppliers and subcontractors is very difficult to obtain. The availability of general liability insurance is limited due to a decreased number of insurance companies willing to underwrite for the industry. In addition, those few insurers willing to underwrite liability insurance have significantly increased the premium costs. To date, we have been able to obtain general liability insurance but at higher premium costs with higher deductibles. Our subcontractors and suppliers have advised us that they have also had difficulty obtaining insurance that also provides us coverage. As a result, we have an owner-controlled insurance program for certain of our subcontractors whereby the subcontractors pay us an insurance premium (through a reduction of amounts we would otherwise owe such subcontractors for their work on our homes) based on the risk type of the trade. We absorb the liability associated with their work on our homes as part of our overall general liability insurance at no additional cost to us because our existing general liability and construction defect insurance policy and related reserves for amounts under our deductible covers construction defects regardless of whether we or our subcontractors are responsible for the defect. For the years ended October 31, 2024 and 2023, we received \$4.7 million and \$4.3 million, respectively, from subcontractors related to the owner controlled-insurance program, which we accounted for as reductions to inventory.

Additions and charges in the warranty reserve and general liability reserve for the years ended October 31, 2024 and 2023 were as follows:

(In thousands)	Year Ended October 31,	
	2024	2023
Balance, beginning of period	\$ 98,919	\$ 97,719
Additions: Selling, general and administrative	8,891	7,140
Additions: Cost of sales	10,608	6,807
Charges incurred during the period	(32,004)	(22,080)
Changes to pre-existing reserves	2,977	9,333
Balance, end of period	\$ 89,391	\$ 98,919

Warranty accruals are based upon historical experience. In fiscal 2024, we recorded an increase of \$3.5 million to our construction defect reserves as a result of our claims history. This increase is reflected in the changes to pre-existing reserves in the table above.

The majority of the charges incurred during fiscal 2024 represented payments for construction defects related to the settlement of one litigation matter.

17. Transactions with Related Parties

During the years ended October 31, 2024, 2023 and 2022, an engineering firm owned by Tavit Najarian, a relative of Ara K. Hovnanian, our Chairman of the Board and our Chief Executive Officer, provided services to the Company totaling \$1.3 million, \$1.3 million and \$1.1 million, respectively. Neither the Company nor Mr. Hovnanian has a financial interest in the relative's company from whom the services were provided.

18. Commitments and Contingent Liabilities

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

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

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

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

19. Variable Interest Entities

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

Although the Company does not have legal title to the underlying land, in compliance with ASC 810, we analyze our option purchase contracts to determine whether the corresponding land and lot sellers are VIEs and, if so, whether we are the primary beneficiary. The significant factors we consider in determining if the power to direct the activities of a VIE that most significantly impact the VIE's economic performance are shared include, among other things, our ability in determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, changing the terms of the contract or arranging financing for the VIE. As a result of our analyses, we have concluded there are no VIEs that required consolidation at either October 31, 2024 or 2023 because we are not the primary beneficiary of the land or lots under option purchase contracts.

We will continue to secure land and lots using options, some of which are with VIEs where we have determined power is shared among the partners and we do not have a controlling financial interest. Including deposits on our unconsolidated VIEs, at October 31, 2024 and 2023, we had total cash deposits amounting to \$264.8 million and \$192.3 million, respectively, to purchase land and lots with a total purchase price of \$3.0 billion and \$2.2 billion, respectively. The maximum exposure to loss with respect to our land and lot options is limited to the deposits plus any pre-development costs invested in the property, although some deposits are refundable at our request or refundable if certain conditions are not met.

20. Investments in Unconsolidated Homebuilding and Land Development Joint Ventures

We enter into homebuilding and land development joint ventures from time to time as a means of accessing lot positions, expanding our market opportunities, establishing strategic alliances, managing our risk profile, leveraging our capital base and enhancing returns on capital. Our investments in homebuilding and land development joint ventures consist of equity interests that, in total, provide us with partner investment returns and management fees.

During the first quarter of fiscal 2023, we contributed four communities we owned, including one active selling community, to one new unconsolidated joint venture for \$41.1 million of net cash.

During the second quarter of fiscal 2023, one of the Company's unconsolidated joint ventures was dissolved, and we assumed control of the remaining assets and liabilities.

During the third quarter of fiscal 2023, we contributed 16 communities we owned, including eight active selling communities, to one new unconsolidated joint venture for \$75.7 million of net cash.

Also, during the third quarter of fiscal 2023, we assumed control of one of our unconsolidated joint ventures after the partner received their final cash distribution. We consolidated the remaining assets and liabilities that were in the unconsolidated joint venture at fair value on the date of distribution. Upon consolidation, we recorded a gain of \$19.1 million in "Other (income) expense, net." Subsequent to consolidation, we contributed the same three active selling communities to an unconsolidated joint venture for \$48.0 million of net cash.

During the second quarter of fiscal 2024, we contributed 11 communities we owned, including three active selling communities to a new unconsolidated joint venture for \$53.8 million of net cash.

During the third quarter of fiscal 2024, we assumed control of one of our unconsolidated joint ventures after the partner received their final cash distribution. We consolidated the remaining assets and liabilities that were in the unconsolidated joint venture at fair value on the date of distribution. Upon consolidation, we recorded a gain of \$45.7 million in "Other (income) expense, net."

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

October 31, 2024				
(In thousands)	Land			
	Homebuilding	Development	Total	
Assets:				
Cash and cash equivalents	\$ 130,532	\$ -	\$ 130,532	
Inventories	402,628	-	402,628	
Other assets	311,955	-	311,955	
Total assets	\$ 845,115	\$ -	\$ 845,115	
Liabilities and equity:				
Accounts payable and accrued liabilities	\$ 469,320	\$ -	\$ 469,320	
Notes payable	88,653	-	88,653	
Total liabilities	557,973	-	557,973	
Equity of:				
Hovnanian Enterprises, Inc.	140,540	-	140,540	
Others	146,602	-	146,602	
Total equity	287,142	-	287,142	
Total liabilities and equity	\$ 845,115	\$ -	\$ 845,115	
Debt to capitalization ratio	24%		0%	

October 31, 2023				
(In thousands)	Land			
	Homebuilding	Development	Total	
Assets:				
Cash and cash equivalents	\$ 127,547	\$ 822	\$ 128,369	
Inventories	375,022	-	375,022	
Other assets	380,989	-	380,989	
Total assets	\$ 883,558	\$ 822	\$ 884,380	
Liabilities and equity:				
Accounts payable and accrued liabilities	\$ 524,586	\$ 605	\$ 525,191	
Notes payable	101,126	-	101,126	
Total liabilities	625,712	605	626,317	
Equity of:				
Hovnanian Enterprises, Inc.	96,281	210	96,491	
Others	161,565	7	161,572	
Total equity	257,846	217	258,063	
Total liabilities and equity	\$ 883,558	\$ 822	\$ 884,380	
Debt to capitalization ratio	28%		0%	

As of October 31, 2024 and 2023, we had outstanding advances to unconsolidated joint ventures of \$2.4 million and \$1.4 million, respectively. These amounts were included in "Accounts payable and accrued liabilities" in the tables above. In some cases, our net investment in unconsolidated joint ventures is less than our proportionate share of the equity reflected in the table above because of the differences between asset impairments recorded against our unconsolidated joint venture investments and any impairments recorded in the applicable unconsolidated joint venture. During the years ended October 31, 2024 and 2023, we did not write-down any of our unconsolidated joint venture investments.

For The Year Ended October 31, 2024				
(In thousands)	Land			
	Homebuilding	Development	Total	
Revenues	\$ 552,727	\$ -	\$ 552,727	
Cost of sales and expenses	(484,967)	445	(484,522)	
Joint venture net income	\$ 67,760	\$ 445	\$ 68,205	
Our share of net income	\$ 52,142	\$ 121	\$ 52,263	

For The Year Ended October 31, 2023

(In thousands)	Land		
	Homebuilding	Development	Total
Revenues	\$ 783,298	\$ -	\$ 783,298
Cost of sales and expenses	(654,217)	-	(654,217)
Joint venture net income	\$ 129,081	\$ -	\$ 129,081
Our share of net income	\$ 43,160	\$ -	\$ 43,160

For The Year Ended October 31, 2022

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

The reason “Our share of net income” is higher or lower than the “Joint venture net income” in the tables above is a result of our varying ownership percentages in each investment. For the years ended October 31, 2024 and 2023, we had investments in six and eight unconsolidated joint ventures, respectively, and our ownership in these joint ventures ranged from 20% to over 50% for both periods. Therefore, depending on mix, if the unconsolidated joint ventures in which we have higher sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a higher overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage; conversely, if the unconsolidated joint ventures in which we have lower sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a lower overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage. For the year ended October 31, 2024, “Our share of net income” was less than the “Joint venture net income” due to five unconsolidated joint ventures with increased income during the period for which we currently recognize a lower profit-sharing percentage based on the joint venture agreements, partially offset by one unconsolidated joint venture with increased income during the period for which we recognized a higher profit-sharing percentage based on the joint venture agreements. For the year ended October 31, 2023, “Our share of net income” was lower than the “Joint venture net income” due to four unconsolidated joint ventures with increased income during the period for which we currently recognize a lower profit-sharing percentage as well as a fifth unconsolidated joint venture for which we were recognizing all of the net loss.

To compensate us for the administrative services we provide as the manager of certain unconsolidated joint ventures, we receive a management fee based on a percentage of the applicable unconsolidated joint venture’s revenue. These management fees, which totaled \$19.5 million, \$16.3 million and \$12.5 million for the years ended October 31, 2024, 2023 and 2022, are recorded in “Selling, general and administrative” homebuilding expenses in the Consolidated Statements of Operations.

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

21. Fair Value of Financial Instruments

We use a fair-value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1: Fair value determined based on quoted prices in active markets for identical assets.

Level 2: Fair value determined using significant other observable inputs.

Level 3: Fair value determined using significant unobservable inputs.

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

(In thousands)	Fair Value Hierarchy	Fair Value at October 31, 2024	Fair Value at October 31, 2023
Mortgage loans held for sale (1)	Level 2	\$ 148,925	\$ 130,235

(1) The aggregate unpaid principal balance was \$149.4 million and \$130.4 million at October 31, 2024 and 2023, respectively.

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

The financial services segment had a pipeline of loan applications in process of \$572.9 million at October 31, 2024. Loans in process for which interest rates were committed to the borrowers totaled \$58.0 million as of October 31, 2024. Substantially all of these commitments were for periods of 60 days or less. Since a portion of these commitments is expected to expire without being exercised by the borrowers, the total commitments do not necessarily represent future cash requirements.

In addition, the financial services segment uses investor commitments and forward sales of mandatory MBS to hedge its mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk is managed by entering into MBS forward commitments, option contracts with investment banks, federally regulated bank affiliates and loan sales transactions with permanent investors meeting the segment's credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option contracts. At October 31, 2024, we had no open mandatory investor commitments to sell MBS.

Changes in fair value that are included in income are shown, by financial instrument and financial statement line item, below:

(In thousands)	Year Ended October 31, 2024		
	Mortgage Loans Held for Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ (497)	\$ -	\$ -

(In thousands)	Year Ended October 31, 2023		
	Mortgage Loans Held for Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ (177)	\$ -	\$ -

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

Assets measured at fair value on a nonrecurring basis are those assets for which we have recorded valuation adjustments and write-offs during the year ended October 31, 2024. We did not have assets measured at fair value on a nonrecurring basis during the year ended October 31, 2023. The assets measured at fair value on a nonrecurring basis are all within our homebuilding operations and are summarized below:

**Year Ended
October 31, 2024**

(In thousands)	Fair Value Hierarchy	Pre- Impairment Amount	Total Losses	Fair Value
Land and land options held for future development or sale	Level 3	\$ 41,061	\$ (9,992)	\$ 31,069

We recorded inventory impairments, which are included in the Consolidated Statements of Operations as “Inventory impairments and land option write-offs” and deducted from inventory of \$10.0 million and \$8.4 million for the years ended October 2024 and 2022, respectively. We did not have any assets measured at fair value on a nonrecurring basis during the year ended October 31, 2023 (see Note 12).

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

The fair value of each series of our notes and credit facilities are listed below. Level 2 measurements are estimated based on recent trades or quoted market prices for the same issues or based on recent trades or quoted market prices for our debt of similar security and maturity to achieve comparable yields. Level 3 measurements are estimated based on third-party broker quotes or management’s estimate of the fair value based on available trades for similar debt instruments. As shown in the table below, our 8.0% Senior Secured 1.125 Lien Notes due 2028, 11.75% Senior Secured 1.25 Lien Notes due 2029 and 5.0% Senior Notes due 2040 were a Level 2 measurement at October 31, 2024 due to recent trades for the same notes.

Fair Value as of October 31, 2024

(In thousands)	Level 1	Level 2	Level 3	Total
Senior Secured Notes:				
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	-	231,068	-	231,068
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	-	474,561	-	474,561
Senior Notes:				
13.5% Senior Notes due February 1, 2026	-	-	27,020	27,020
5.0% Senior Notes due February 1, 2040	-	11,485	-	11,485
Senior Credit Facilities:				
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	190,041	190,041
Total fair value	\$ -	\$ 717,114	\$ 217,061	\$ 934,175

Fair Value as of October 31, 2023

(In thousands)	Level 1	Level 2	Level 3	Total
Senior Secured Notes:				
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025	-	113,843	-	113,843
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	-	-	230,690	230,690
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	-	476,655	-	476,655
Senior Notes:				
13.5% Senior Notes due February 1, 2026	-	-	95,062	95,062
5.0% Senior Notes due February 1, 2040	-	-	44,843	44,843
Senior Credit Facilities:				
Senior Unsecured Term Loan Credit Facility due February 1, 2027	-	-	35,034	35,034
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	81,742	81,742
Total fair value	\$ -	\$ 590,498	\$ 487,371	\$ 1,077,869

The Senior Secured Revolving Credit Facility is not included in the above tables because there were no borrowings outstanding thereunder as of October 31, 2024 and 2023.

DESCRIPTION OF CAPITAL STOCK

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

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

Common Stock

As of October 31, 2024, 6,415,794 shares of Class A Common Stock and 757,023 shares of Class B Common Stock were issued and outstanding. The Class A Common Stock is traded on the New York Stock Exchange under the symbol “HOV”. There is no established public trading market for the Class B Common Stock. In order to trade Class B Common Stock, the shares must be converted into Class A Common Stock on a one-for-one basis. The outstanding Class A Common Stock and Class B Common Stock is fully paid and non-assessable. The rights, powers and preferences of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holder of shares of any series of preferred stock that Hovnanian may designate and issue.

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

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

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

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

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

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

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

(B) All issued shares of Class B Common Stock shall be deemed, without further action on the part of any person, to be immediately and automatically converted into shares of Class A Common Stock (in which case, the Class B Common Stock shall automatically be cancelled and shall no longer be authorized for issuance) in each of the instances set forth below:

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

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

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

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

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

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

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

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

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

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

Preferred Stock

The Restated Certificate of Incorporation authorizes the Board of Directors to issue from time to time up to 100,000 shares of preferred stock, in one or more series, and to fix the number of shares in each series and the designations, powers, preferences and relative, participating, optional or other special rights thereof, and qualifications, limitations or restrictions thereof. The preferred stock may be issued by the Board of Directors without further action by Hovnanian’s stockholders as an anti-takeover device. As of October 31, 2024, 5,600 shares of Hovnanian’s preferred stock were issued and outstanding, consisting of entirely of Hovnanian’s 7.625% Series A Preferred Stock (liquidation preference \$25,000.00 per share) par value \$.01 per share, the “Series A Preferred Stock”.

7.625% Series A Preferred Stock

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

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

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

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

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

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

Depositary Shares

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

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

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

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

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

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

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

Amended Rights Plan

On July 29, 2008, the Board of Directors adopted a stockholder rights plan and declared a dividend of one preferred share purchase right for each outstanding share of Class A Common Stock and Class B Common Stock, which was subsequently paid to stockholders of record as of August 15, 2008. On August 14, 2008, Hovnanian and Computershare Trust Company, N.A. (as successor to National City Bank), as Rights Agent, entered into the Rights Agreement (the "Rights Agreement") (as amended by Amendment No. 1, dated January 11, 2018 ("Amendment No. 1"), Amendment No. 2, dated as of January 18, 2021 ("Amendment No. 2"), and Amendment No. 3, dated as of January 11, 2024 ("Amendment No. 3" and the Rights Agreement as amended thereby, the "Amended Rights Plan"). Under Amendment No. 3, (i) each preferred stock purchase right, if exercisable, will initially represent the right to purchase from Hovnanian one ten-thousandth of a share of Hovnanian's Series B Junior Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock"), for a purchase price of \$802.00 (the "Purchase Price") (which Purchase Price was modified in light of the trading price of Hovnanian's Class A Common Stock since the adoption of Amendment No. 2), (ii) the Final Expiration Date (as defined in the Rights Agreement) is extended to August 14, 2027, (iii) in the event rights certificates are distributed, such certificates will not need to be affixed with a corporate seal and may be signed by electronic signature and (iv) notwithstanding any prior adjustments, each share of the Hovnanian's Class A Common Stock and Class B Common Stock entitles the holder thereof to one right, representing the right to purchase from Hovnanian one ten-thousandth of a share of Series B Preferred Stock at the Purchase Price (subject to certain adjustments). If issued, each fractional share of Series B Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of Hovnanian's Class A Common Stock. However, prior to exercise, a right does not give its holder any rights as a stockholder of Hovnanian, including without limitation any dividend, voting or liquidation rights.

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

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

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

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

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

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

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

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

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

Series B Junior Preferred Stock

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

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

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

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

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

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

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

LE010 Securities Trading Policy

LE010 SECURITIES TRADING POLICY
HOVNANIAN ENTERPRISES, INC.Compliance with United States Securities
Laws and Security Trading

This Securities Trading Policy ("Policy") contains the following sections:

- 1.0 General
 - 2.0 Definitions
 - 3.0 Statement of Policy
 - 4.0 Certain Exceptions
 - 5.0 Pre-clearance of Trades and Other Procedures
 - 6.0 10b5-1 and Other Trading Plans
 - 7.0 Potential Criminal And Civil Liability And/Or Disciplinary Action
 - 8.0 Broker Requirements for Section 16 Persons
 - 9.0 Confidentiality
 - 10.0 Legal Effect of this Policy
-

1.0 General

- 1.1 Hovnanian Enterprises, Inc. and its subsidiaries (collectively, the "Corporation"), their directors, officers and employees (collectively, "Hovnanian Associates"), family members of Hovnanian Associates and trusts, corporations and other entities controlled by any of such persons (collectively, "Insiders") must, at all times, comply with the securities laws of the United States and all applicable jurisdictions.
 - 1.2 Federal securities laws prohibit trading in the securities of a company while aware of material, non-public "inside" information. These transactions are commonly known as "insider trading". It is also illegal to communicate material non-public inside information to another person (commonly called a "tippee") that could be used in connection with a decision to trade or retain the securities to which such inside information relates. This includes any communication providing insider information on social media or other internal or external Internet platforms. Anyone violating these laws could be subject to personal liability and could face significant fines and criminal penalties, including imprisonment. Federal securities laws also create a strong incentive for the Corporation to deter insider trading by its employees. In the normal course of business, Hovnanian Associates may come into possession of inside information concerning the Corporation, its industry, transactions in which the Corporation proposes to engage, or customers, partners, vendors, or other entities with which the Corporation does business. Therefore, the Corporation has established this Policy with respect to trading in its securities or securities of another company. Any violation of this Policy could subject you to disciplinary action, up to and including termination. See Section 7.
 - 1.3 This Policy concerns compliance as it pertains to the disclosure of inside information regarding the Corporation or another company and to trading in securities while in possession of such inside information. In addition to requiring that Insiders comply with the letter of the law, it is the Corporation's policy that Insiders exercise judgment so as to also comply with the spirit of the law and avoid even the appearance of impropriety.
 - 1.4 This Policy is intended to protect Insiders and the Corporation from insider trading violations. However, the matters set forth in this Policy are guidelines only and are not intended to replace your responsibility to understand and comply with the legal prohibition on insider trading. Appropriate judgment should be exercised in connection with all securities trading. If you have specific questions regarding this Policy or applicable law, please contact the Corporate Counsel or the Chief Financial Officer.
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2.0 Definitions

- 2.1 **Family Members.** For purposes of this Policy, the term "family members" includes family members who reside with you, anyone else who lives in your household and any family members who do not live in your household but whose transactions in the Corporation's securities are directed by you or are subject to your influence or control. Hovnanian Associates are responsible for the transactions of their family members and therefore should make them aware of the need to confer with you before they trade in the Corporation's securities or securities of companies we do business with.
- 2.1 **Material.** Information is generally considered "material" if a reasonable investor would consider it important in deciding whether to trade or retain a security. The information may concern the Corporation or another company and may be positive or negative. Employees should assume that information that would affect their consideration of whether to trade, or which might tend to influence the price of the security, is material.

Depending upon the circumstances, examples of material information may include, but are not limited to:

- dividend information or the changing of dividend policies;
- the declaration of a stock split or the offering of additional debt or equity securities;
- earnings results, estimates and guidance on earnings and confirmations of or changes to previously released earnings results, estimates or guidance, or other performance related measures or metrics;
- financial projections;
- a significant merger, acquisition, tender offer, sale of assets, disposition or divestiture proposal or agreement;
- impending bankruptcy or financial liquidity problems;
- investments, joint ventures or changes in assets;
- financings and other events involving the Corporation's securities (e.g., public or private sales by the Corporation, its senior management or significant securityholders, calls of securities for redemption, share repurchase plans, stock splits, and changes to the rights of securityholders);
- acquisition of, refinancing or repayment of significant debts or defaults on debt;
- a significant disruption in the Corporation's operations or loss, potential loss, breach or unauthorized access of its property or assets, including its facilities, data and information technology infrastructure and cybersecurity and privacy incidents or events;
- the gain or loss of a significant supplier;
- changes in senior management or other senior management developments;
- significant litigation or governmental investigations;
- restructuring, layoffs or furloughs;
- significant write-offs; and
- changes in, or disagreements with, auditors or notifications that the Corporation may no longer rely on such firm's report.

What is material is often viewed in hindsight and courts may adopt a broad definition of what is material or resolve close cases in favor of finding the information material. Information that something is likely to happen or even just that it may happen may be deemed material. It should be emphasized that material information does not have to relate to a company's business. For example, information about the contents of a forthcoming publication in the financial press that is expected to affect the market price of a security could well be material. Therefore, Insiders should err on the side of caution. Insiders should keep in mind that the Securities and Exchange Commission's ("SEC") rules and regulations provide that the mere fact that a person is aware of the material, non-public information is a bar to trading. It is no excuse that such person's reasons for trading were unrelated to the material non-public information.

- 2.3 **Non-Public Information.** For the purpose of this Policy, information is "non-public" until three criteria have been satisfied:

First, the information must have been widely disseminated by the Corporation. Generally, Insiders should assume that information has NOT been widely disseminated unless it has been disclosed by the Corporation in (i) a press release distributed through a widely disseminated news or wire service, (ii) a publicly available filing made with the SEC or (iii) another manner compliant with Regulation FD.

Second, the information disseminated must be some form of "official" announcement or disclosure, which, in the case of the information about the Corporation, must be made by the Corporation. In other words, the fact that rumors, speculation, or statements attributed to unidentified sources are public is insufficient to be considered widely disseminated even when the rumors, speculation or statements are accurate.

Third, after the information has been disseminated, a period of time must pass sufficient for the information to be absorbed by the general public. Generally, it is reasonable to consider information fully absorbed after the closing of the first full trading day on the New York Stock Exchange that follows the day on which the information is disseminated in a national news medium or disclosed in a manner compliant with Regulation FD, including in a filing with the SEC.

- 2.4 Section 16 Persons: The "Section 16 Persons" means Hovnanian Enterprises, Inc.'s directors and "officers" (as defined in Rule 16a-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")).
- 2.5 Security or Securities. The term "security" or "securities" is defined very broadly by the securities laws and includes stock (common and preferred), stock options, warrants, bonds, notes, debentures, convertible instruments, put or call options (i.e., exchange-traded options), or other similar instruments.
- 2.6 Trade or Trading. The term "trade" or "trading" means broadly any purchase, sale or other transaction to acquire, transfer or dispose of securities, including derivative exercises, gifts or other contributions, pledges, exercises of stock options granted under the Corporation's stock plans, sales of stock acquired upon the exercise of options and trades made under an employee benefit plan such as a 401(k) plan.
- 3.0 Statement of Policy
- 3.1 No Insider may trade the Corporation's securities at any time when the Insider has material non-public information concerning the Corporation. It is the responsibility of the Insider to be certain that he or she does not have material non-public information when determining to trade.
- 3.2 No Insider may trade securities of another company at any time when the Insider has material non-public information about that company or its industry, including without limitation, information about any of our customers, vendors, suppliers or partners, when that information was obtained, in whole or in part, as a result of the Insider's employment or relationship to the Corporation.
- 3.3 No Insider may disclose ("tip") material non-public information to any other person (including family members), and no insider may make trade recommendations on the basis of material non-public information. In addition, Insiders should take care before trading on the recommendation of others to ensure that the recommendation is not the result of an illegal "tip".
- 3.4 No Insider who receives or has access to the Corporation's material non-public information may comment on stock price movements or rumors of other corporate developments (including discussions on social media platforms, blogs or online comment forums) that are of possible significance to the investing public unless it is part of the Insider's job (such as Investor Relations) or the Insider has been specifically authorized in accordance with the Corporations' Policies and Procedures for Compliance with Regulation FD, which prohibits selective disclosure of material non-public information to market participants by persons acting on behalf of the Corporation. If you comment on corporate developments, stock price movements or rumors or disclose material non-public information to a third party you must contact the Corporate Counsel or the Chief Financial Officer immediately.
- 3.5 In addition, it is generally the practice of the Corporation not to respond to inquiries and/or rumors concerning the Corporation's affairs. If you receive inquiries concerning the Corporation from the media or inquiries from securities analysts or other members of the financial community, you should refer such inquiries, without comment, to the Corporation's Investor Relations Officer, the Corporate Counsel or the Chief Financial Officer.
- 3.6 Certain Insiders may only trade in the Corporation's securities during the four "Window Periods" (as defined in Section 5.4) that occur each fiscal year or in connection with an SEC-registered primary or secondary underwritten offering of the Corporation. These persons must also receive pre-approval prior to any transaction. See Section 5.0.
- 3.7 An Insider who is aware of material non-public information when he or she ceases to be an Insider, may not trade in the Corporation's securities until that information has become public or is no longer material. In addition, this Policy continues in effect for all Permanent Restricted Persons and Other Restricted Persons (each as defined in Sections 5.1 and 5.2, respectively) until the opening of the first Window Period after termination of employment or other relationship with the Corporation, except that, unless notified otherwise by the Corporation, the pre-clearance requirements set forth in Section 5.0 continue to apply to Permanent Restricted Persons for six months after the termination of their status as a Permanent Restricted Person. See Section 5.3.
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3.8 **No Short Sales, Hedging or Speculative Transactions.** No Insider, whether or not he or she possesses material non-public information, may trade in options, warrants, puts and calls or similar instruments on the Corporation's securities or sell such securities "short" (i.e., selling stock that is not owned and borrowing the shares to make delivery) or engage in speculative trading (e.g., "day-trading") that is intended to take advantage of short-term price fluctuations. Such activities may put the personal gain of the Insider in conflict with the best interests of the Corporation and its securityholders or otherwise give the appearance of impropriety. No Insider may engage in any transactions (including variable forward contracts, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of the Corporation's equity securities.

3.9 **Margin Accounts and Pledges.** Securities purchased on margin may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities held in an account which may be borrowed against or are otherwise pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Accordingly, if you purchase securities on margin or pledge them as collateral for a loan, a margin sale or foreclosure sale may occur at a time when you are aware of material non-public information or otherwise are not permitted to trade in our securities. The sale, even though not initiated at your request, is still a sale for your benefit and may subject you to liability under the insider trading rules if made at a time when you are aware of material non-public information. Similar cautions apply to a bank or other loans for which you have pledged stock as collateral.

Therefore, no Hovnanian Associates, whether or not in possession of material non-public information, may purchase the Corporation's securities on margin, or borrow against any account in which the Corporation's securities are held, or pledge the Corporation's securities as collateral for a loan, without first obtaining pre-clearance. A request for approval must be submitted in writing to the Corporate Counsel or the Chief Financial Officer at least two weeks prior to the execution of the documents evidencing the proposed pledge. The Corporate Counsel or the Chief Financial Officer is under no obligation to approve any request for pre-clearance and may determine not to permit the arrangement for any reason. Approvals will be based on the particular facts and circumstances of the request, including, but not limited to, the percentage amount that the securities being pledged represent of the total number of our securities held by the person making the request and the financial capacity of the person making the request. Notwithstanding the pre-clearance of any request, the Corporation assumes no liability for the consequences of any transaction made pursuant to such request.

3.10 **Managed Accounts.** If you have a managed account (where another person has been given discretion or authority to trade without your prior approval), you should advise your broker or investment advisor not to trade in Corporation securities at any time

4.0 **Certain Exceptions**

The prohibition on trading in the Corporation's securities set forth in Section 3.0 above does not apply to:

Transferring shares to an entity that does not involve a change in the beneficial ownership of the shares (for example, to an inter vivos trust of which you are the sole beneficiary during your lifetime).

The exercise of stock options pursuant to our stock plans (including any net-settled stock option exercise); however, the sale of any such stock acquired upon such exercise, including as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option or to satisfy tax withholding requirements, is subject to this Policy.

The exercise of a tax withholding right pursuant to which you elect (or the Corporation mandates) to have the Corporation withhold shares of restricted stock, shares underlying restricted stock units or shares subject to an option to satisfy tax withholding requirements.

The execution of transactions pursuant to a trading plan that complies with SEC Rule 10b5-1 and which has been approved by the Corporation. See Section 6.1

Trading in mutual funds and Exchange Traded Funds (ETFs) holding Company securities at any time, that are either based on broad indexes, such as Standard & Poor's or NYSE, or on targeted sectors with portfolio holdings of at least 30 or more companies.

To the extent the Corporation offers its securities as an investment option in the Corporation's 401(k) plan, the purchase of stock through the Corporation's 401(k) plan through regular payroll deductions; however, the sale of any such stock and the election to transfer funds into or out of, or a loan with respect to amounts invested in, the stock fund is subject to this Policy.

To the extent the Corporation offers its securities as an investment option in an employee stock purchase plan, the purchase of stock through the Corporation's employee stock purchase plan; however, elections to participate in such plan, the sale of any such stock and changing instructions regarding the level of withholding contributions which are used to purchase stock is subject to this Policy.

5.0 Pre-clearance of Trades and Other Procedures

- 5.1 Applicability. Section 16 Persons, family members of Section 16 Persons and trusts, corporations and other entities controlled by Section 16 Persons (collectively, "Permanent Restricted Persons") as well as certain other persons described in Section 5.2 must obtain the advance approval of the Corporate Counsel or the Chief Financial Officer in accordance with Section 5.3 before effecting transactions in the Corporation's securities, including any exercise of an option (whether cashless or otherwise), gifts, loans, pledges, rights or warrant to purchase or sell such securities, contribution to a trust or other transfers, whether the transaction is for the individual's own account, one over which he or she exercises control or one in which he or she has a beneficial interest.
- 5.2 Other Restricted Persons. From time to time, the Corporation will notify persons other than Permanent Restricted Persons that they are subject to the pre-clearance requirements set forth in Section 5.3 if the Corporation believes that, in the normal course of their duties, they are likely to have regular access to material non-public information ("Other Restricted Persons"). Examples of such persons include non-executive officers, accounting personnel, legal personnel and certain personnel in Human Resources and family members of any of such persons and trusts, corporations and other entities controlled by any of such persons. Any person notified of their status as an Other Restricted Person will remain an Other Restricted Person subject to the pre-clearance requirements set forth in Section 5.3 unless otherwise notified in writing by the Corporate Counsel or the Chief Financial Officer or his or her respective designee. Occasionally, certain individuals may have access to material non-public information for a limited period of time. During such a period, such persons may be notified that they are also Other Restricted Persons who will be subject to the pre-clearance requirements set forth in Section 5.3.
- 5.3 Procedures. Subject to Section 6.1, Permanent Restricted Persons and Other Restricted Persons must submit a request for pre-clearance to the Corporate Counsel or Chief Financial Officer (via email or in such other form as is approved by the Corporate Counsel or Chief Financial Officer) at least two business days in advance of the proposed transaction (provided that any request to purchase the Corporation's securities on margin, or borrow against any account in which the Corporation's securities are held, or pledge the Corporation's securities as collateral for a loan must be submitted at least two weeks in advance of the proposed transaction in accordance with Section 3.9). Approval must be dated and in writing and specify the securities involved and the type of transaction. APPROVAL FOR TRANSACTIONS AND PLEDGES OF THE CORPORATION'S SECURITIES WILL GENERALLY BE GRANTED ONLY DURING A WINDOW PERIOD (DESCRIBED IN SECTION 5.4 BELOW) AND THE TRANSACTION MAY ONLY BE PERFORMED DURING THE WINDOW PERIOD IN WHICH THE APPROVAL WAS GRANTED AND IN ANY EVENT WITHIN THREE BUSINESS DAYS FROM THE DATE OF APPROVAL; PROVIDED THAT NOTWITHSTANDING RECEIPT OF PRE-CLEARANCE, YOU MUST NOT TRADE IN CORPORATION SECURITIES IF YOU SUBSEQUENTLY BECOME AWARE OF MATERIAL NON-PUBLIC INFORMATION PRIOR TO EFFECTING THE TRANSACTION. Unless notified otherwise by the Corporation, Permanent Restricted Persons must comply with these pre-clearance requirements for the six month period following the termination of their status as a Permanent Restricted Person.
- 5.4 Window Periods. The Corporation has established four "windows" of time during the fiscal year during which requests for pre-clearance may be approved and transactions and pledges may be performed ("Window Periods"). Each Window Period begins at the opening of trading on the first trading day after at least one full trading day on the New York Stock Exchange after the day on which the Corporation issues a public news release of its quarterly or annual earnings for the prior fiscal quarter or year. That same Window Period closes at the close of trading on the 15th calendar day of the last month of the then current fiscal quarter. After the close of the Window Period, except as set forth in Section 4.0 above, Permanent Restricted Persons and Other Restricted Persons may not trade in any of the Corporation's securities. The prohibition against trading while aware of, or tipping of, material non-public information applies even during a Window Period. For example, if during a Window Period, a material acquisition or divestiture is pending or a forthcoming publication in the financial press may affect the relevant securities market, you may not trade in the Corporation's securities. You must consult the Corporate Counsel or the Chief Financial Officer whenever you are in doubt.
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- 5.5 Suspension of Trading. From time to time, the Corporation may require that directors, officers, selected employees and/or others suspend trading in the Corporation's securities, including during a Window Period, regardless of any other provision of this policy because of developments that have not yet been disclosed to the public. All those affected shall not trade in the Corporation's securities while the suspension is in effect, and shall not disclose to others that the Corporation has suspended trading for certain individuals. Though these blackouts generally will arise because the Corporation is involved in a highly-sensitive transaction, they may be declared for any reason. If the Corporation declares a blackout to which you are subject, the Corporate Counsel or the Chief Financial Officer will notify you when the blackout begins and when it ends.
- 5.6 Notification of Window Periods. In order to assist you in complying with this Policy, the Corporation will deliver an e-mail (or other communication) notifying all Section 16 Persons and all other Hovnanian Associates designated as Other Restricted Persons when the Window Period has opened and when the Window Period is about to close. **THE CORPORATION'S DELIVERY OR NON-DELIVERY OF THESE E-MAILS (OR OTHER COMMUNICATION) DOES NOT RELIEVE YOU OF YOUR OBLIGATION TO ONLY TRADE IN THE CORPORATION'S SECURITIES IN FULL COMPLIANCE WITH THIS POLICY.**
- 5.7 Hardship Exemptions. Those subject to the Window Periods or a blackout pursuant to Section 5.5 may request a hardship exemption for periods outside the Window Periods or during a blackout, as applicable, if they are not in possession of material non-public information and are not otherwise prohibited from trading pursuant to this Policy. Hardship exemptions are granted infrequently and only in exceptional circumstances. Any request for a hardship exemption should be made to the Corporate Counsel or the Chief Financial Officer or his or her designee.
- 6.0 10b5-1 and Other Trading Plans
- 6.1 10b5-1 Trading Plans. A 10b5-1 trading plan is a binding, written contract between you and your broker that specifies the price, amount, and date of trades to be executed in your account in the future, or provides a formula or mechanism that your broker will follow, and satisfies various other conditions and limitations set forth in Rule 10b5-1 under the Exchange Act. A 10b5-1 trading plan can only be established when you do not possess material non-public information. Therefore, Insiders cannot enter into these plans at any time when in possession of material non-public information and, in addition, persons subject to the pre-clearance requirements of this Policy described in Section 5.0 cannot enter into these plans outside Window Periods. In addition, a 10b5-1 trading plan must not permit you to exercise any subsequent influence over how, when, or whether the purchases or sales are made. Unless such requirement is waived or modified by the Corporate Counsel or Chief Financial Officer in his or her sole discretion, or as otherwise required by applicable law, (i) a 10b5-1 trading plan should have a duration of at least six months and no more than two years; (ii) you should not trade in the Corporation's securities outside of a 10b5-1 trading plan while such 10b5-1 trading plan is in effect; and (iii) a 10b5-1 trading plan adopted or modified by a Section 16 Person should not permit any trades to occur until expiration of the cooling-off period mandated by Rule 10b5-1(c)(1)(ii)(B) of the Exchange Act.

You have an affirmative defense against any claim by the SEC against you for insider trading if your trade was made under a 10b5-1 trading plan that you entered into when you were not aware of material non-public information. The rules regarding 10b5-1 trading plans are complex and you must fully comply with them. You should consult with your legal advisor before entering into any 10b5-1 trading plan.

Each Insider must pre-clear with the Corporate Counsel or the Chief Financial Officer any proposed trading plan, including 10b5-1 trading plans, prior to the adoption of such plan. Each Insider must also pre-clear with the Corporate Counsel or the Chief Financial Officer any proposed modification or termination of an existing trading plan, including 10b5-1 trading plans, prior to the modification or termination of such plan. The Corporation reserves the right to withhold pre-clearance of the adoption, modification or termination of such trading plan that the Corporation determines is not consistent with the rules regarding such plans. No Insider will be permitted to adopt a Rule 10b5-1 trading plan if such Insider has an existing contract, instruction or plan that would qualify for the affirmative defense under Rule 10b5-1, subject to the exceptions set forth in the rule. Notwithstanding any pre-clearance of a Rule 10b5-1 or other trading plan, the Corporation assumes no liability for the consequences of any transaction made pursuant to such plan.

If you enter into a 10b5-1 trading plan, your 10b5-1 trading plan should be structured to avoid purchases or sales shortly before known announcements, such as quarterly or annual earnings announcements. Even though transactions executed in accordance with a properly formulated 10b5-1 trading plan are exempt from the insider trading rules, the trades may nonetheless occur at times shortly before we announce material news, and the investing public and media may not understand the nuances of trading pursuant to a 10b5-1 trading plan. This could result in negative publicity for you and the Corporation if the SEC or the New York Stock Exchange were to investigate your trades.

For Insiders, any modification or termination of a pre-approved 10b5-1 or other trading plan requires pre-clearance by the Corporate Counsel or the Chief Financial Officer. In addition, any modification of a pre-approved 10b5-1 or other trading plan must occur when you are not aware of any material non-public information and must comply with the requirements of the rules regarding such trading plans (including 10b5-1, if applicable) and, if you are subject to Window Period restrictions, must take place during a Window Period. Unless such requirement is waived or modified by the Corporate Counsel or Chief Financial Officer in his or her sole discretion, or as otherwise required by applicable law, if you terminate a 10b5-1 trading plan, you must wait at least 60 days before (i) you trade the Corporation's securities; or (ii) enter into a new 10b5-1 trading plan.

Transactions effected pursuant to a pre-cleared 10b5-1 or other trading plan will not require further pre-clearance at the time of the transaction if the plan specifies the dates, prices and amounts of the contemplated trades, or establishes a formula for determining the dates, prices and amounts.

Finally, if you are a Section 16 Person, 10b5-1 and other trading plans require special care as the Corporation may be required to disclose the adoption, amendment or termination of such plans by such persons in its periodic reports filed with the SEC. Accordingly, it is imperative that Section 16 Persons coordinate with Corporate Counsel prior to adopting or modifying such plans. Moreover, because such plans may specify conditions that trigger a purchase or sale, you may not even be aware that a transaction has taken place and you may not be able to comply with the SEC's requirement that you report your transaction to the SEC within two business days after its execution. Therefore, for Section 16 Persons, a transaction executed according to a trading plan is not permitted unless the trading plan requires your broker to notify the Corporation before the close of business on the day of the execution of the transaction. See Section 8.0.

7.0 Potential Criminal and Civil Liability and/or Disciplinary Action

7.1 Individual Responsibility. Each Insider is individually responsible for complying with the securities laws and this Policy, regardless of whether the Corporation has prohibited trading by that Insider or any other Insiders. Trading in securities during the Window Periods and outside of any suspension periods or with pre-clearance should not be considered a "safe harbor". We remind you that, whether or not during a Window Period and whether or not you have obtained pre-clearance, you may not trade securities on the basis of material non-public information.

You should also bear in mind that any proceeding alleging improper trading will necessarily occur after the trade has been completed and is particularly susceptible to second-guessing with the benefit of hindsight. Therefore, as a practical matter, before engaging in any transaction you should carefully consider how enforcement authorities and others might view the transaction in hindsight. Further, whether or not you possess material non-public information, it is advisable that you invest in the Corporation's securities or the securities of any company that has a substantial relationship with the Corporation from the perspective of a long term investor because you may be prohibited from disposing of such securities in the future.

7.2 Controlling Persons. The securities laws provide that, in addition to sanctions against an individual who trades illegally, penalties may be assessed against what are known as "controlling persons" with respect to the violator. The term "controlling person" is not defined, but includes employers (i.e., the Corporation), its directors, officers and managerial and supervisory personnel. The concept is broader than what would normally be encompassed by a reporting chain. Individuals may be considered "controlling persons" with respect to any other individual whose behavior they have the power to influence. Liability can be imposed only if two conditions are met. First, it must be shown that the "controlling person" knew or recklessly disregarded the fact that a violation was likely. Second, it must be shown that the "controlling person" failed to take appropriate steps to prevent the violation from occurring. For this reason, the Corporation's supervisory personnel are directed to take appropriate steps to ensure that those whom they supervise, understand and comply with the requirements set forth in this Policy.

7.3 Potential Sanctions

(i) Liability for Insider Trading and Tipping. Insiders, controlling persons and the Corporation may be subject to civil penalties, criminal penalties and/or jail for trading in securities when they have material non-public information or for improper transactions by any person (commonly referred to as a "tippee") to whom they have disclosed material non-public information, or to whom they have made recommendations or expressed opinions on the basis of such information about trading securities. The SEC has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the Financial Industry Regulatory Authority use sophisticated electronic surveillance techniques to uncover insider trading.

(ii) Possible Disciplinary Actions. Hovnanian Associates who violate this Policy will be subject to disciplinary action, up to and including termination of employment for cause, whether or not the Hovnanian Associates' failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish one's reputation and irreparably damage a career.

7.4 Questions and Violations. Anyone with questions concerning this Policy or its application should contact the Corporate Counsel or the Chief Financial Officer. Any violation or perceived violation should be reported immediately to the Corporate Counsel or the Chief Financial Officer.

8.0 Broker Requirements for Section 16 Persons

The timely reporting of transactions requires tight interface with brokers handling transactions for our Section 16 Persons. A knowledgeable, alert broker can also serve as a gatekeeper, helping to ensure compliance with our pre-clearance procedures and helping prevent inadvertent violations. Therefore, in order to facilitate timely compliance by the directors and executive officers of the Corporation with the requirements of Section 16 of the Exchange Act, brokers of Section 16 Persons need to comply with the following requirements:

Not to enter any order (except for orders under pre-approved Rule 10b5-1 plans) without first verifying with the Corporation that your transaction was pre-cleared and complying with the brokerage firm's compliance procedures (e.g., Rule 144), and
To report before the close of business on the day of the execution of the transaction to the Corporation by telephone and in writing via e-mail to the Corporate Counsel and Assistant Treasurer, the complete (i.e., date, type of transaction, number of shares and price) details of every transaction involving the Corporation's equity securities, including gifts, transfers, pledges and all 10b5-1 transactions and other trading plans.

Because it is the legal obligation of the trading person to cause any filings on Form 3, Form 4, Form 5 or Form 144 (or as may be otherwise required) to be made, you are strongly encouraged to confirm following any transaction that your broker has immediately telephoned and e-mailed the required information to the Corporation.

9.0 Confidentiality

No Hovnanian Associate should disclose any non-public information to non-Hovnanian Associates (including to family members), except when such disclosure is needed to carry out the Corporation's business and then only when the Hovnanian Associate disclosing the information has no reason to believe that the recipient will misuse the information (for example, when such disclosures are authorized as necessary to facilitate negotiations with vendors, suppliers or customers or when such persons are subject to contractual confidentiality restrictions). When such information is disclosed, the recipient must be told that such information may be used only for the business purpose related to its disclosure and that the information must be held in confidence. Hovnanian Associates should disclose non-public information to other Hovnanian Associates only in the ordinary course of business, for legitimate business purposes and in the absence of reasons to believe that the information will be misused or improperly disclosed by the recipient. Written non-public information should be appropriately safeguarded and should not be left where it may be seen by persons not entitled to the information, or otherwise accessible by persons not entitled to the information, and non-public information should not be discussed with any person within the Corporation under circumstances where it could be overheard. See also, Controlling Persons, Section 7.2.

In addition to other circumstances where it may be applicable, this confidentiality policy must be strictly adhered to in responding to inquiries about the Corporation that may be made by the press, securities analysts or other members of the financial community. It is important that responses to any such inquiries be made on behalf of the Corporation by a duly designated officer. Accordingly, Hovnanian Associates should not respond to any such inquiries and should refer all such inquiries to the Corporation's Investor Relations Officer or the Corporate Counsel or the Chief Financial Officer. See also, Statement of Policy, Sections 3.4 and 3.5.

Neither this Policy nor any policy of the Corporation, and notwithstanding any other confidentiality or non-disclosure agreement (whether in writing or otherwise, including without limitation as part of an employment agreement, separation agreement or similar employment or compensation arrangement) applicable to current or former Insiders, should be deemed to restrict any current or former Insider from communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "Governmental Entity") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that (1) in each case such communications and disclosures are consistent with applicable law and (2) the information subject to such disclosure was not obtained by the current or former Insider through a communication that was subject to the attorney-client privilege, unless such disclosure of that information would otherwise be permitted by an attorney pursuant to 17 CFR 205.3(d)(2), applicable state attorney conduct rules, or otherwise. Any agreement in conflict with the foregoing is hereby deemed amended by the Corporation to be consistent with the foregoing.

10.0 Legal Effect of this Policy

The Corporation's Policy with respect to securities trading and the disclosure of confidential information, and the procedures that implement this Policy, are not intended to serve as precise recitations of the legal prohibitions against insider trading and tipping which are highly complex, fact specific and evolving. Certain of the procedures are designed to prevent even the appearance of impropriety and in some respects may be more restrictive than the securities laws. Therefore, these procedures are not intended to serve as a basis for establishing civil or criminal liability that would not otherwise exist.

Failure to comply with this Policy may result in disciplinary action, including termination.

<u>Legal Entity Name</u>	<u>State of Formation</u>
Eastern National Title Agency Arizona, LLC	AZ
GTIS-HOV AT SILVERSTONE LLC	AZ
GTIS-HOV Pointe 16 LLC	AZ
K. Hovnanian Arizona New GC, LLC	AZ
K. HOVNANIAN ARIZONA OPERATIONS, LLC	AZ
K. Hovnanian at 17 North, LLC	AZ
K. Hovnanian at 23 North, LLC	AZ
K. Hovnanian at 240 Missouri, LLC	AZ
K. Hovnanian at Acacia Place, LLC	AZ
K. Hovnanian at Aire on McDowell, LLC	AZ
K. Hovnanian at Alameda Point, LLC	AZ
K. Hovnanian at Alto, LLC	AZ
K. Hovnanian at Ambra, LLC	AZ
K. Hovnanian at Aria at Silverstone, LLC	AZ
K. Hovnanian at Aster Ridge, LLC	AZ
K. Hovnanian at Catania, LLC	AZ
K. Hovnanian at Eagle Heights, LLC	AZ
K. Hovnanian at Edgewood, LLC	AZ
K. Hovnanian at Gallery, LLC	AZ
K. Hovnanian at Galloway Ridge, LLC	AZ
K. Hovnanian at Honeysuckle Trail, LLC	AZ
K. Hovnanian at Laveen Springs, LLC	AZ
K. Hovnanian at Luke Landing, LLC	AZ
K. Hovnanian at Maryland Ridge, LLC	AZ
K. Hovnanian at McCartney Ranch, LLC	AZ
K. Hovnanian at Monroe Ranch, LLC	AZ
K. Hovnanian at Montana Vista Dobbins, LLC	AZ
K. Hovnanian at Montana Vista, LLC	AZ
K. Hovnanian at Oranewood Ranch, LLC	AZ
K. Hovnanian at Palermo, LLC	AZ
K. Hovnanian at Palm Valley, L.L.C.	AZ
K. Hovnanian at Park Paseo, LLC	AZ
K. Hovnanian at Pinnacle Peak Patio, LLC	AZ
K. Hovnanian at Pointe 16, LLC	AZ
K. Hovnanian at Quail Creek, L.L.C.	AZ
K. Hovnanian at Rancho Cabrillo, LLC	AZ
K. Hovnanian at Rancho El Dorado, LLC	AZ
K. Hovnanian at Rancho Mirage Parcel 17, LLC	AZ
K. Hovnanian at Rancho Mirage Parcel 23, LLC	AZ

K. Hovnanian at Santa Rosa Springs, LLC	AZ
K. Hovnanian at Santanilla, LLC	AZ
K. Hovnanian at Scottsdale Heights, LLC	AZ
K. Hovnanian at Sienna Hills, LLC	AZ
K. Hovnanian at Silverstone G, LLC	AZ
K. Hovnanian at Silverstone, LLC	AZ
K. Hovnanian at Skye on McDowell, LLC	AZ
K. Hovnanian at Sterling Vistas, LLC	AZ
K. Hovnanian at Sun City West, LLC	AZ
K. Hovnanian at Sunrise Trail II, LLC	AZ
K. Hovnanian at Sunrise Trail III, LLC	AZ
K. Hovnanian at The Meadows 9, LLC	AZ
K. Hovnanian at The Meadows, LLC	AZ
K. Hovnanian at Tortosa South, LLC	AZ
K. Hovnanian at Union Park, LLC	AZ
K. Hovnanian at Ventana Lakes, LLC	AZ
K. Hovnanian at Verrado Cascina, LLC	AZ
K. Hovnanian at Verrado Marketside, LLC	AZ
K. Hovnanian at Victory at Verrado PH3C, LLC	AZ
K. Hovnanian at Victory at Verrado PH9, LLC	AZ
K. Hovnanian at Victory at Verrado, LLC	AZ
K. Hovnanian at Villago, LLC	AZ
K. Hovnanian at Viviendo, LLC	AZ
K. Hovnanian Companies of Arizona, LLC	AZ
K. HOVNANIAN GREAT WESTERN HOMES, LLC	AZ
K. Hovnanian Legacy at Via Bella, LLC	AZ
K. Hovnanian Phoenix Division, Inc.	AZ
K. Hovnanian West Group, LLC	AZ
K. Hovnanian's Four Seasons at The Manor II, LLC	AZ
K. Hovnanian's Four Seasons at The Manor, LLC	AZ
Vistas at Silverstone LLC	AZ
2700 Empire, LLC	CA
GTIS-HOV Rancho 79 LLC	CA
K. HOV IP, II, Inc.	CA
K. Hovnanian Aspire at Bellevue Ranch M2, LLC	CA
K. Hovnanian Aspire at Bellevue Ranch, LLC	CA
K. Hovnanian Aspire at River Terrace, LLC	CA
K. Hovnanian Aspire at Solaire, LLC	CA

K. Hovnanian Aspire at Stones Throw, LLC	CA
K. Hovnanian at Andalusia, LLC	CA
K. Hovnanian at Aspire at Apricot Grove PH2, LLC	CA
K. Hovnanian at Bakersfield 463, L.L.C.	CA
K. Hovnanian at Beacon Park Area 129 II, LLC	CA
K. Hovnanian at Beacon Park Area 129, LLC	CA
K. Hovnanian at Beacon Park Area 137, LLC	CA
K. Hovnanian at Bennett Ranch, LLC	CA
K. Hovnanian at Blackstone, LLC	CA
K. Hovnanian at Cadence Park, LLC	CA
K. HOVNANIAN AT CAPISTRANO, L.L.C.	CA
K. Hovnanian at Carlsbad, LLC	CA
K. Hovnanian at Cedar Lane, LLC	CA
K. Hovnanian at Cielo, L.L.C.	CA
K. Hovnanian at Fiddymment Ranch, LLC	CA
K. Hovnanian at Firefly at Winding Creek, LLC	CA
K. Hovnanian at Fresno, LLC	CA
K. Hovnanian at Gilroy 60, LLC	CA
K. Hovnanian at Gilroy, LLC	CA
K. Hovnanian at Hidden Lake, LLC	CA
K. Hovnanian at Jaeger Ranch, LLC	CA
K. Hovnanian at La Laguna, L.L.C.	CA
K. Hovnanian at Ladd Ranch, LLC	CA
K. Hovnanian at Luna Vista, LLC	CA
K. Hovnanian at Melanie Meadows, LLC	CA
K. Hovnanian at Meridian Hills, LLC	CA
K. Hovnanian at Muirfield, LLC	CA
K. Hovnanian at Parkside, LLC	CA
K. Hovnanian at Pavilion Park, LLC	CA
K. Hovnanian at Positano, LLC	CA
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.	CA
K. Hovnanian at Sage II Harvest at Limoneira, LLC	CA
K. Hovnanian at Santa Nella, LLC	CA
K. Hovnanian at Sendero Ranch, LLC	CA
K. Hovnanian at Sierra Vista, LLC	CA
K. Hovnanian at Skye Isle, LLC	CA
K. Hovnanian at Sunridge Park, LLC	CA
K. Hovnanian at Trail Ridge, LLC	CA

K. Hovnanian at Valle Del Sol, LLC	CA
K. Hovnanian at Verona Estates, LLC	CA
K. Hovnanian at Victorville, L.L.C.	CA
K. Hovnanian at Village Center, LLC	CA
K. Hovnanian at Vineyard Heights, LLC	CA
K. Hovnanian at Waterstone, LLC	CA
K. Hovnanian at West View Estates, L.L.C.	CA
K. Hovnanian at Westshore, LLC	CA
K. Hovnanian at Wheeler Ranch, LLC	CA
K. Hovnanian at Woodcreek West, LLC	CA
K. Hovnanian CA Land Holdings, LLC	CA
K. Hovnanian California Operations, Inc.	CA
K. Hovnanian California Region, Inc.	CA
K. Hovnanian Communities, Inc.	CA
K. Hovnanian Companies of Southern California, Inc.	CA
K. Hovnanian Companies, LLC	CA
K. Hovnanian East Group, LLC	CA
K. Hovnanian Enterprises, Inc.	CA
K. Hovnanian Four Seasons at Homestead, LLC	CA
K. Hovnanian GT Investment, L.L.C.	CA
K. Hovnanian Homes Northern California, Inc.	CA
K. Hovnanian JV Holdings, L.L.C.	CA
K. Hovnanian JV Services Company, L.L.C.	CA
K. Hovnanian Meadow View at Mountain House, LLC	CA
K. Hovnanian Northeast Division, Inc.	CA
K. Hovnanian Northern California Division, LLC	CA
K. Hovnanian Operations Company, Inc.	CA
K. Hovnanian Sonterra, LLC	CA
K. Hovnanian Southern California Division, LLC	CA
K. Hovnanian Terra Lago Investment, LLC	CA
K. Hovnanian's Aspire at Union Village, LLC	CA
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.	CA
K. Hovnanian's Four Seasons at Beaumont, LLC	CA
K. Hovnanian's Four Seasons at Los Banos, LLC	CA
K. Hovnanian's Sonata at The Preserve, LLC	CA
K. Hovnanian's Veranda at RiverPark II, LLC	CA
K. Hovnanian's Veranda at RiverPark, LLC	CA

STONEBROOK HOMES, INC.	CA
K. Hovnanian Parkview at Sterling Meadows, LLC	CA
K. Hovnanian Developments of D.C., Inc.	DC
K. Hovnanian Homes at Parkside, LLC	DC
K. Hovnanian Homes of D.C., L.L.C.	DC
GTIS-HOV Arbors at Monroe Parent LLC	DE
GTIS-HOV Four Ponds Parent LLC	DE
GTIS-HOV Heatherfield Parent LLC	DE
GTIS-HOV Hilltop at Cedar Grove Parent LLC	DE
GTIS-HOV Holdings IX LLC	DE
GTIS-HOV Holdings LLC	DE
GTIS-Hov Holdings V LLC	DE
GTIS-HOV Holdings VI LLC	DE
GTIS-HOV HOLDINGS VII LLC	DE
GTIS-HOV HOLDINGS VIII LLC	DE
GTIS-HOV Holdings X LLC	DE
GTIS-HOV Lakes of Cane Bay Parent LLC	DE
GTIS-HOV Parkside of Libertyville Parent LLC	DE
GTIS-HOV Pender Oaks Parent LLC	DE
GTIS-HOV Pinnacle Peak Patio Parent LLC	DE
GTIS-HOV Residences at Columbia Park Parent LLC	DE
GTIS-HOV Sauganash Glen Parent LLC	DE
Homebuyers Financial USA, LLC	DE
Hovnanian Enterprises, Inc. (PARENT COMPANY)	DE
HovSite Churchill Club LLC	DE
HovSite Firenze LLC	DE
HovSite Hunt Club LLC	DE
HovSite Liberty Lakes LLC	DE
HovSite Providence LLC	DE
HovSite Southampton LLC	DE
K. Hovnanian Agency Holdings, LLC	DE
K. Hovnanian Aspire at Lynnbury Woods, LLC	DE
K. Hovnanian at Admiral's Landing, LLC	DE
K. Hovnanian at Ashby Place, LLC	DE
K. Hovnanian at Aspire at Webber Farm, LLC	DE
K. Hovnanian at Aspire at Wickersham, LLC	DE
K. Hovnanian at Autumn Ridge, LLC	DE
K. Hovnanian at Bay Knolls, LLC	DE
K. Hovnanian at Brenford Station, LLC	DE
K. Hovnanian at Cedar Lane Estates, LLC	DE

K. Hovnanian at Egret Shores, LLC	DE
K. Hovnanian at Ellery Farm, LLC	DE
K. Hovnanian at Fork Landing, LLC	DE
K. Hovnanian at Harbor's Edge at Bayside, LLC	DE
K. Hovnanian at Hidden Brook, LLC	DE
K. Hovnanian at Liberty West, LLC	DE
K. Hovnanian at Middletown Reserve, LLC	DE
K. Hovnanian at Mitchell's Corner, LLC	DE
K. Hovnanian at North Brunswick VI, L.L.C.	DE
K. Hovnanian at Nottingham Meadows, LLC	DE
K. Hovnanian at Ocean View Beach Club, LLC	DE
K. Hovnanian at Odessa Commons, LLC	DE
K. Hovnanian at Oyster Cove, LLC	DE
K. Hovnanian at Patriots Bluff, LLC	DE
K. Hovnanian at Plantation Lakes, L.L.C.	DE
K. Hovnanian at Pleasanton, LLC	DE
K. Hovnanian at Prestige on 64th, LLC / 6th & Mayo, LLC	DE
K. Hovnanian at Red Mill Pond, LLC	DE
K. Hovnanian at Retreat at Millstone, LLC	DE
K. Hovnanian at Satterfield, LLC	DE
K. Hovnanian at Seabrook, LLC	DE
K. Hovnanian at Tower Hill, LLC	DE
K. Hovnanian at Townsend Fields, LLC	DE
K. Hovnanian at Woodfield, LLC	DE
K. Hovnanian Central Acquisitions, L.L.C.	DE
K. Hovnanian Delaware Division, Inc.	DE
K. Hovnanian Delaware Operations, LLC	DE
K. Hovnanian GT IX Investment, LLC	DE
K. Hovnanian GT V Investment, LLC	DE
K. Hovnanian GT VI Investment, LLC	DE
K. Hovnanian GT VII Investment, LLC	DE
K. Hovnanian GT VIII Investment, LLC	DE
K. Hovnanian GT X Investment, LLC	DE
K. Hovnanian GT XII Investment, LLC	DE
K. Hovnanian GT XIII Investment, LLC	DE
K. Hovnanian GT XIV Investment, LLC	DE
K. Hovnanian GT XV Investment, LLC	DE
K. Hovnanian Homes at Knollac Acres, LLC	DE
K. Hovnanian Homes at Summit Pointe, LLC	DE
K. Hovnanian Homes of Delaware I, LLC	DE

K. Hovnanian Homes of Longacre Village, L.L.C.	DE
K. Hovnanian M.E. Investments, LLC	DE
K. Hovnanian New Jersey Operations, LLC	DE
K. Hovnanian North Central Acquisitions, L.L.C.	DE
K. Hovnanian North Jersey Acquisitions, L.L.C.	DE
K. Hovnanian South Jersey Acquisitions, L.L.C.	DE
K. Hovnanian's Four Seasons at Baymont Farms L.L.C.	DE
K. Hovnanian's Four Seasons at Belle Terre, LLC	DE
K. Hovnanian's Four Seasons at Hatteras Hills, LLC	DE
K. Hovnanian's Four Seasons at Silver Maple Farm, L.L.C.	DE
KHH Shell Hall Loan Acquisition, LLC	DE
Ridgemore Utility of Delaware, LLC	DE
Traverse Partners, LLC	DE
Washington Homes, Inc.	DE
WTC Ventures, L.L.C.	DE
GTIS-HOV Nicholson Parent LLC	DE
Eastern National Title Agency Florida, LLC	FL
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.	FL
K. Hovnanian Amber Glen, LLC	FL
K. Hovnanian Aspire at Boatman Hammock, LLC	FL
K. Hovnanian Aspire at Canter Creek, LLC	FL
K. Hovnanian Aspire at East Lake, LLC	FL
K. Hovnanian Aspire at Edgewater, LLC	FL
K. Hovnanian Aspire at Hawks Ridge, LLC	FL
K. Hovnanian Aspire at Marion Oaks, LLC	FL
K. Hovnanian Aspire at Morningside, LLC	FL
K. Hovnanian Aspire at Palm Bay, LLC	FL
K. Hovnanian Aspire at Palm Coast, LLC	FL
K. Hovnanian Aspire at Port St. Lucie, LLC	FL
K. Hovnanian Aspire at Treasure Coast, LLC	FL
K. Hovnanian Aspire at Victoria Parc, LLC	FL
K. HOVNANIAN ASPIRE AT WATERSTONE, LLC	FL
K. Hovnanian at Armen Groves, LLC	FL
K. Hovnanian at Aspire at Citrus Springs, LLC	FL
K. Hovnanian at Aspire at Glen Aire, LLC	FL
K. Hovnanian at Aspire at The Pines, LLC	FL
K. Hovnanian at Avenir II, LLC	FL
K. HOVNANIAN AT AVENIR, LLC	FL
K. Hovnanian at Boca Dunes, LLC	FL
K. Hovnanian at Citrus Cove, LLC	FL
K. Hovnanian at Coral Lago, LLC	FL
K. Hovnanian at Deer Lakes, LLC	FL

K. Hovnanian at Delray Beach, L.L.C.	FL
K. Hovnanian at Eden Preserve, LLC	FL
K. Hovnanian at Golden Gem Estates, LLC	FL
K. Hovnanian at Hampton Cove, LLC	FL
K. Hovnanian at Heritage Grove, LLC	FL
K. Hovnanian at Hilltop Reserve II, LLC	FL
K. Hovnanian at Hilltop Reserve, LLC	FL
K. Hovnanian at Lake Burden, LLC	FL
K. Hovnanian at Lake Florence, LLC	FL
K. Hovnanian at Lake LeClare, LLC	FL
K. Hovnanian at Mystic Dunes, LLC	FL
K. Hovnanian at Northlake, LLC	FL
K. Hovnanian at Parkside SEFL, LLC	FL
K. Hovnanian at Pickett Reserve, LLC	FL
K. Hovnanian at Redtail, LLC	FL
K. Hovnanian at Saddlebrook Meadows, LLC	FL
K. Hovnanian at Spring Isle, LLC	FL
K. Hovnanian at Summerlake, LLC	FL
K. Hovnanian at Terra Bella Two, LLC	FL
K. Hovnanian at The Highlands at Summerlake Grove, LLC	FL
K. Hovnanian at Tilden Ranch, LLC	FL
K. Hovnanian at Valletta, LLC	FL
K. Hovnanian at Vdara, LLC	FL
K. Hovnanian at Walkers Grove, LLC	FL
K. Hovnanian at Windward Landing, LLC	FL
K. Hovnanian Belmont Reserve, LLC	FL
K. Hovnanian Cambridge Homes, L.L.C.	FL
K. Hovnanian Companies of Florida, LLC	FL
K. Hovnanian Cypress Creek, LLC	FL
K. Hovnanian Cypress Key, LLC	FL
K. Hovnanian Estates at Wekiva, LLC	FL
K. HOVNANIAN FIRST HOMES, L.L.C.	FL
K. Hovnanian Floresta Gardens, LLC	FL
K. HOVNANIAN FLORIDA OPERATIONS, LLC	FL
K. Hovnanian Florida Realty, L.L.C.	FL
K. Hovnanian Grand Cypress, LLC	FL
K. Hovnanian Grandefield, LLC	FL
K. Hovnanian Homes of Florida I, LLC	FL
K. Hovnanian Ivy Trail, LLC	FL
K. Hovnanian Lake Parker, LLC	FL
K. Hovnanian Magnolia at Westside, LLC	FL

K. Hovnanian Montclair Estates, LLC	FL
K. Hovnanian Ocoee Landings, LLC	FL
K. Hovnanian Orlando Division, LLC	FL
K. Hovnanian Pinewood Gardens, LLC	FL
K. Hovnanian Preserve at Avonlea, LLC	FL
K. HOVNANIAN PRESERVE AT TURTLE CREEK LLC	FL
K. Hovnanian Reynolds Ranch, LLC	FL
K. Hovnanian Riverside, LLC	FL
K. Hovnanian Rivington, LLC	FL
K. Hovnanian San Sebastian, LLC	FL
K. Hovnanian Sereno, LLC	FL
K. Hovnanian Siena at Soleris, LLC	FL
K. Hovnanian Sola Vista, LLC	FL
K. Hovnanian South Fork, LLC	FL
K. Hovnanian Southeast Florida Division, LLC	FL
K. Hovnanian Sterling Ranch, LLC	FL
K. Hovnanian T&C Homes at Florida, L.L.C.	FL
K. Hovnanian TerraLargo, LLC	FL
K. Hovnanian Union Park, LLC	FL
K. Hovnanian Waterford Reserve, LLC	FL
K. Hovnanian Winding Bay Preserve, LLC	FL
K. HOVNANIAN WINDWARD HOMES, LLC	FL
K. Hovnanian's Four Seasons at Crossprairie, LLC	FL
K. Hovnanian's Four Seasons at Wylder, LLC	FL
KHOV WINDING BAY II, LLC	FL
LINKS AT CALUSA SPRINGS, LLC	FL
K. Hovnanian at Kate's Cove, LLC	GA
K. Hovnanian at Oakwood at New Hampstead, LLC	GA
K. Hovnanian at The Commons at Richmond Hill, LLC	GA
K. Hovnanian at Waterways Single Family, LLC	GA
K. Hovnanian at Waterways Townhomes, LLC	GA
K. Hovnanian at Westbrook, LLC	GA
K. Hovnanian Developments of Georgia, Inc.	GA
K. Hovnanian Georgia Operations, LLC	GA
K. HOVNANIAN HOMES AT CREEKSIDE, LLC	GA
K. Hovnanian's Aspire at New Hampstead, LLC	GA
Amber Ridge, LLC	IL
Arbor Trails, LLC	IL
EASTERN NATIONAL TITLE AGENCY ILLINOIS, LLC	IL
Glenrise Grove, L.L.C.	IL
GTIS-HOV Parkside of Libertyville LLC	IL

GTIS-HOV Sauganash Glen LLC	IL
K. Hovnanian at Amberley Woods, LLC	IL
K. Hovnanian at Ashley Pointe LLC	IL
K. Hovnanian at Bradwell Estates, LLC	IL
K. Hovnanian at Christina Court, LLC	IL
K. Hovnanian at Churchill Farms LLC	IL
K. Hovnanian at Deer Ridge, LLC	IL
K. Hovnanian at Estates of Fox Chase, LLC	IL
K. Hovnanian at Fairfield Ridge, LLC	IL
K. Hovnanian at Grande Park, LLC	IL
K. Hovnanian at Hanover Estates, LLC	IL
K. Hovnanian at Heatherfield, LLC	IL
K. Hovnanian at Island Lake, LLC	IL
K. Hovnanian at Link Crossing, LLC	IL
K. Hovnanian at Maple Hill LLC	IL
K. Hovnanian at Meadowridge Villas, LLC	IL
K. Hovnanian at North Grove Crossing, LLC	IL
K. Hovnanian at North Pointe Estates LLC	IL
K. Hovnanian at Northridge Estates, LLC	IL
K. Hovnanian at Orchard Meadows, LLC	IL
K. Hovnanian at Prairie Pointe, LLC	IL
K. Hovnanian at Randall Highlands, LLC	IL
K. Hovnanian at River Hills, LLC	IL
K. Hovnanian at Sagebrook, LLC	IL
K. HOVNANIAN AT SILVER LEAF, LLC	IL
K. Hovnanian at Silverwood Glen, LLC	IL
K. Hovnanian at Somerset, LLC	IL
K. HOVNANIAN AT TAMARACK SOUTH LLC	IL
K. Hovnanian at Tanglewood Oaks, LLC	IL
K. Hovnanian at Trafford Place, LLC	IL
K. Hovnanian at Tramore LLC	IL
K. HOVNANIAN AT VILLAS AT THE COMMONS, LLC	IL
K. Hovnanian Chicago Division, Inc.	IL
K. Hovnanian Estates at Regency, L.L.C.	IL
K. HOVNANIAN ILLINOIS OPERATIONS, LLC	IL
K. Hovnanian T&C Homes at Illinois, L.L.C.	IL
K. Hovnanian at Norton Lake LLC	IL
Eastern National Title Agency Maryland, LLC	MD
GTIS-HOV Villages at Pepper Mill LLC	MD
Homebuyers Financial Services, L.L.C.	MD
Hovnanian Land Investment Group of Maryland, L.L.C.	MD

Hovnanian Land Investment Group, L.L.C.	MD
K. Hovnanian at Brittany Manor, LLC	MD
K. Hovnanian at Caton's Reserve, LLC	MD
K. Hovnanian at Eden Terrace, L.L.C.	MD
K. Hovnanian at Gambrell Glenn, LLC	MD
K. Hovnanian at Grace Meadows, LLC	MD
K. Hovnanian at Locke Landing, LLC	MD
K. Hovnanian at Southpointe, LLC	MD
K. Hovnanian at Wade's Grant, L.L.C.	MD
K. Hovnanian Brittany Manor Borrower, LLC	MD
K. Hovnanian Developments of Maryland, Inc.	MD
K. Hovnanian Homes of Maryland I, LLC	MD
K. Hovnanian Homes of Maryland II, LLC	MD
K. Hovnanian Homes of Maryland, L.L.C.	MD
K. Hovnanian's Four Seasons at Kent Island III, LLC	MD
K. Hovnanian's Four Seasons at Kent Island, L.L.C.	MD
Ridgemore Utility L.L.C.	MD
K. Hovnanian Developments of Minnesota, Inc.	MN
K. Hovnanian Homes of Minnesota at Arbor Creek, LLC	MN
K. Hovnanian Homes of Minnesota at Autumn Meadows, LLC	MN
K. Hovnanian Homes of Minnesota at Brynwood, LLC	MN
K. Hovnanian Homes of Minnesota at Cedar Hollow, LLC	MN
K. Hovnanian Homes of Minnesota at Founder's Ridge, LLC	MN
K. Hovnanian Homes of Minnesota at Harpers Street Woods, LLC	MN
K. Hovnanian Homes of Minnesota at Oaks of Oxbow, LLC	MN
K. Hovnanian Homes of Minnesota at Regent's Point, LLC	MN
K. Hovnanian Homes of Minnesota, L.L.C.	MN
K. Hovnanian Liberty on Bluff Creek, LLC	MN
K. Hovnanian Timbres at Elm Creek, LLC	MN
K. Hovnanian's Four Seasons at Rush Creek II, LLC	MN
K. Hovnanian at Burch Kove, LLC	NC
K. Hovnanian at Indian Wells, LLC	NC
K. Hovnanian at Lily Orchard, LLC	NC
K. Hovnanian at Main Street Square, LLC	NC
K. Hovnanian at Oak Pointe, LLC	NC
K. Hovnanian at The Promenade at Beaver Creek, LLC	NC
K. Hovnanian at Wheeler Woods, LLC	NC
K. Hovnanian Developments of North Carolina, Inc.	NC
K. Hovnanian Homes at Brook Manor, LLC	NC

K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.	NC
K. Hovnianian Sherwood at Regency, LLC	NC
Builder Services NJ, L.L.C.	NJ
Eastern National Title Agency, Inc.	NJ
F&W MECHANICAL SERVICES, L.L.C.	NJ
GTIS-HOV Arbors at Monroe LLC	NJ
GTIS-HOV Holdings XI LLC	NJ
GTIS-HOV Residences at Columbia Park LLC	NJ
Hilltop at Cedar Grove Urban Renewal, LLC	NJ
K. HOVNIANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.	NJ
K. Hovnianian Acquisitions, Inc.	NJ
K. Hovnianian American Mortgage, L.L.C.	NJ
K. Hovnianian at Academy Hill Urban Renewal, LLC	NJ
K. Hovnianian at Asbury Park Urban Renewal, LLC	NJ
K. Hovnianian at Carriages at Wall Urban Renewal, LLC	NJ
K. Hovnianian at Charleston Meadows, LLC	NJ
K. Hovnianian at Chesterfield, L.L.C.	NJ
K. Hovnianian at Dunellen Urban Renewal, LLC	NJ
K. Hovnianian at East Brunswick III, LLC	NJ
K. Hovnianian at East Brunswick, LLC	NJ
K. Hovnianian at East Windsor, LLC	NJ
K. Hovnianian at Four Seasons at Bella Vista, LLC	NJ
K. Hovnianian at Franklin II, L.L.C.	NJ
K. Hovnianian at Franklin, L.L.C.	NJ
K. Hovnianian at Freehold Township III, LLC	NJ
K. HOVNIANIAN AT GLEN OAKS, LLC	NJ
K. Hovnianian at Great Notch, L.L.C.	NJ
K. Hovnianian at Harvest Oaks, LLC	NJ
K. Hovnianian at Hillandale, LLC	NJ
K. Hovnianian at Hillsborough, LLC	NJ
K. Hovnianian at Howell Fort Plains, LLC	NJ
K. Hovnianian at Howell II, LLC	NJ
K. Hovnianian at Howell, LLC	NJ
K. Hovnianian at Huntington Knolls, LLC	NJ
K. Hovnianian at Jackson I, L.L.C.	NJ
K. Hovnianian at Jackson, L.L.C.	NJ
K. Hovnianian at Little Egg Harbor Township II, L.L.C.	NJ
K. Hovnianian at Manalapan Crossing, LLC	NJ
K. Hovnianian at Manalapan II, L.L.C.	NJ
K. Hovnianian at Manalapan IV, LLC	NJ
K. Hovnianian at Manalapan V, LLC	NJ

K. Hovnanian at Maple Avenue, L.L.C.	NJ
K. Hovnanian at Marlboro Grove, LLC	NJ
K. Hovnanian at Middletown III, LLC	NJ
K. Hovnanian at Middletown IV, LLC	NJ
K. Hovnanian at Millville II, L.L.C.	NJ
K. Hovnanian at Monroe NJ II, LLC	NJ
K. Hovnanian at Monroe NJ III, LLC	NJ
K. Hovnanian at Monroe NJ, L.L.C.	NJ
K. Hovnanian at Montgomery, LLC	NJ
K. Hovnanian at Montvale II, LLC	NJ
K. Hovnanian at Morris Twp, LLC	NJ
K. HOVNANIAN AT MORRIS WOODS, LLC	NJ
K. Hovnanian at North Caldwell III, L.L.C.	NJ
K. Hovnanian at North Wildwood, L.L.C.	NJ
K. Hovnanian at Oakland, LLC	NJ
K. Hovnanian at Old Bridge II, LLC	NJ
K. Hovnanian at Old Bridge, L.L.C.	NJ
K. Hovnanian at Port Imperial Investment, LLC	NJ
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.	NJ
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.	NJ
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.	NJ
K. Hovnanian at Rancocas Creek, LLC	NJ
K. Hovnanian at Reservoir Point, LLC	NJ
K. Hovnanian at Ridgemont, L.L.C.	NJ
K. Hovnanian at Sandpiper Place, LLC	NJ
K. Hovnanian at Shrewsbury, LLC	NJ
K. Hovnanian at Smithville, Inc.	NJ
K. Hovnanian at South Brunswick II, LLC	NJ
K. Hovnanian at South Brunswick III, LLC	NJ
K. Hovnanian at South Brunswick IV, LLC	NJ
K. Hovnanian at Station Square, L.L.C.	NJ
K. Hovnanian at The Monarch, L.L.C.	NJ
K. Hovnanian at The Views at Northshore Urban Renewal, LLC	NJ
K. HOVNANIAN AT TOWNES AT PARKVIEW, LLC	NJ
K. Hovnanian at Townes at West Long Branch, LLC	NJ
K. Hovnanian at Trenton II, L.L.C.	NJ
K. Hovnanian at Trenton Urban Renewal, L.L.C.	NJ
K. Hovnanian at Views at Seaside Urban Renewal, LLC	NJ
K. Hovnanian at Villages at Country View, LLC	NJ
K. Hovnanian at Villages at Florham Park, LLC	NJ
K. Hovnanian at Wall Donato, LLC	NJ

K. Hovnanian at Wall Quail Ridge, LLC	NJ
K. Hovnanian at Warren Township II, LLC	NJ
K. Hovnanian at Washington Ridge, LLC	NJ
K. Hovnanian at Wildwood Bayside, L.L.C.	NJ
K. Hovnanian at Woolwich I, L.L.C.	NJ
K. Hovnanian Estates at Brock Farms, LLC	NJ
K. Hovnanian GT XI Investment, LLC	NJ
K. Hovnanian Holdings NJ, L.L.C.	NJ
K. Hovnanian Manalapan Acquisition, LLC	NJ
K. Hovnanian Northeast Services, L.L.C.	NJ
K. Hovnanian Properties of Red Bank, LLC	NJ
K. Hovnanian Southern New Jersey, L.L.C.	NJ
K. Hovnanian Villages at Hays Mill Creek Urban Renewal, LLC	NJ
K. Hovnanian Villages at Hays Mill Creek, LLC	NJ
K. Hovnanian's Aegean at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian's Baltic at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian's Cove at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian's Crossings at Princeton Junction, LLC	NJ
K. Hovnanian's Delta at Asbury Park Urban Renewal, LLC	NJ
K. Hovnanian's Enclave at Old Tappan, LLC	NJ
K. HOVNANIAN'S FOUR SEASONS AT COLTS FARM, LLC	NJ
K. Hovnanian's Gables at Basking Ridge, LLC	NJ
K. Hovnanian's Horizons at Wall, LLC	NJ
K. Hovnanian's Lofts at Kingsley Urban Renewal, LLC	NJ
K. Hovnanian's Reflections at Robbinsville, LLC	NJ
K. Hovnanian's Terraces at Absecon Inlet, LLC	NJ
K. Hovnanian's Views at Wesley Lake, LLC	NJ
LANDARAMA, INC.	NJ
M & M at Monroe Woods, L.L.C.	NJ
M&M at West Orange, L.L.C.	NJ
Matzel & Mumford at Egg Harbor, L.L.C.	NJ
MCNJ, Inc.	NJ
MM-Beachfront North I, LLC	NJ
Route 1 and Route 522, L.L.C.	NJ
Terrapin Realty, L.L.C.	NJ
The Matzel & Mumford Organization, Inc	NJ
K. Hovnanian at Waldwick, LLC	NJ
K. Hovnanian Classics, L.L.C.	NJ
K. Hovnanian at Elmwood Preserve, LLC	NY
K. HOVNANIAN COMPANIES OF NEW YORK, INC.	NY
K. Hovnanian Developments of New York, Inc.	NY

K. Hovnanian New York Operations, LLC	NY
K. Hovnanian Aberdeen, LLC	OH
K. Hovnanian Akron Scattered Site, LLC	OH
K. Hovnanian Asbury Pointe, LLC	OH
K. Hovnanian Aspire at Auld Farms, LLC	OH
K. Hovnanian Aspire at Weston Place, LLC	OH
K. Hovnanian at Apple Blossom, LLC	OH
K. Hovnanian at Bay Meadows Estates, LLC	OH
K. Hovnanian at Booth Farm, LLC	OH
K. Hovnanian at Cooper's Landing, LLC	OH
K. Hovnanian at Country View Estates, LLC	OH
K. Hovnanian at Creekside Crossing, LLC	OH
K. Hovnanian at Eagles Edge, LLC	OH
K. Hovnanian at Hampshire Farms, LLC	OH
K. Hovnanian at Harvest Meadows, LLC	OH
K. Hovnanian at Hawk Ridge, LLC	OH
K. Hovnanian at Heritage Park, LLC	OH
K. Hovnanian at Lighthouse Estates, LLC	OH
K. Hovnanian at Longbrooke, LLC	OH
K. Hovnanian at Orchard Park, LLC	OH
K. Hovnanian at Oregon Town Center, LLC	OH
K. Hovnanian at Riverfield Reserve, LLC	OH
K. Hovnanian at Stratton Corners, LLC	OH
K. Hovnanian at Toussaint Springs, LLC	OH
K. Hovnanian at Trucen Farm, LLC	OH
K. Hovnanian Belden Pointe, LLC	OH
K. Hovnanian Build on Your Lot Division, LLC	OH
K. Hovnanian Central Ohio, LLC	OH
K. Hovnanian Cleveland Division, LLC	OH
K. Hovnanian Cornerstone Farms, LLC	OH
K. Hovnanian Edgebrook, LLC	OH
K. Hovnanian Falls Pointe, LLC	OH
K. Hovnanian Forest Lakes, LLC	OH
K. Hovnanian Forest Valley, LLC	OH
K. Hovnanian Four Seasons at Chestnut Ridge, LLC	OH
K. Hovnanian Hidden Hollow, LLC	OH
K. Hovnanian Highland Ridge, LLC	OH
K. Hovnanian Indian Trails, LLC	OH
K. Hovnanian Kingston at Western Reserve, LLC	OH
K. Hovnanian LaDue Reserve, LLC	OH
K. Hovnanian Lakes of Green, LLC	OH

K. Hovnanian Landings 40s, LLC	OH
K. Hovnanian Meadow Lakes, LLC	OH
K. Hovnanian Monarch Grove, LLC	OH
K. Hovnanian Northpointe 40s, LLC	OH
K. Hovnanian Northwest Ohio, LLC	OH
K. Hovnanian Norton Place, LLC	OH
K. Hovnanian Ohio Realty, L.L.C.	OH
K. Hovnanian Ohio Region, Inc.	OH
K. Hovnanian Redfern Trails, LLC	OH
K. Hovnanian Rivendale, LLC	OH
K. Hovnanian Schady Reserve, LLC	OH
K. Hovnanian Village Glen, LLC	OH
K. Hovnanian Waterbury, LLC	OH
K. Hovnanian White Road, LLC	OH
K. Hovnanian Woodland Pointe, LLC	OH
K. Hovnanian's Four Seasons at Addison Farms, LLC	OH
K. Hovnanian's Four Seasons at Sandstone, LLC	OH
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.	OH
New Home Realty, LLC	OH
K. HOVNANIAN OHIO OPERATIONS, LLC	OH
K. Hovnanian Woodridge Place, LLC	OH
Builder Services PA, L.L.C.	PA
Eastern National Abstract, Inc.	PA
GTIS-HOV Warminster LLC	PA
K. Hovnanian at Doylestown, LLC	PA
K. Hovnanian at Middletown, LLC	PA
K. Hovnanian at Northampton, L.L.C.	PA
K. Hovnanian at Sunny Slope Crossings, LLC	PA
K. Hovnanian Developments of Pennsylvania, Inc.	PA
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.	PA
K. Hovnanian PA Real Estate, Inc.	PA
K. Hovnanian Pennsylvania Build on Your Lot Division, LLC	PA
K. Hovnanian Pennsylvania Operations, LLC	PA
Midwest Building Products & Contractor Services of Pennsylvania, L.L.C.	PA
K. Hovnanian at Upper Providence, LLC	PA
K. Hovnanian at Coosaw Point, LLC	SC
K. Hovnanian at Fox Path at Hampton Lake, LLC	SC
K. Hovnanian at Hammock Breeze, LLC	SC
K. Hovnanian at Hampton Lake, LLC	SC
K. Hovnanian at Haulover Creek, LLC	SC
K. Hovnanian at Lakes at New Riverside, LLC	SC

K. Hovnanian at Liberty Hill Farm Water Lots, LLC	SC
K. Hovnanian at Liberty Hill Farm, LLC	SC
K. Hovnanian at Magnolia Place, LLC	SC
K. Hovnanian at Marshview Estates, LLC	SC
K. Hovnanian at Old Bay, LLC	SC
K. Hovnanian at Pasture at Farrfield, LLC	SC
K. Hovnanian at Pinckney Farm, LLC	SC
K. Hovnanian at Pine Crest, LLC	SC
K. Hovnanian at Pleasant Point, LLC	SC
K. Hovnanian at Sea Island Collective, LLC	SC
K. Hovnanian at Stono Village, LLC	SC
K. Hovnanian at Willow Pond, LLC	SC
K. Hovnanian CraftBuilt Homes of South Carolina, L.L.C.	SC
K. Hovnanian Homes at Salt Creek Landing, LLC	SC
K. Hovnanian Homes at Sandy Creek Landing, LLC	SC
K. Hovnanian Homes at Shell Hall, LLC	SC
K. Hovnanian Homes at The Abby, LLC	SC
K. Hovnanian Homes at The Paddocks, LLC	SC
K. Hovnanian South Carolina Operations, LLC	SC
K. Hovnanian Southeast Coastal Division, Inc.	SC
K. Hovnanian's Four Seasons at Cane Bay Expansion, LLC	SC
K. Hovnanian's Four Seasons at Carolina Oaks, LLC	SC
K. Hovnanian's Four Seasons at Lakes of Cane Bay LLC	SC
K. Hovnanian's Lakes at New Riverside Expansion, LLC	SC
Shell Hall Club Amenity Acquisition, LLC	SC
Shell Hall Land Acquisition, LLC	SC
Eastern National Title Agency Texas, Inc.	TX
K. Hovnanian Developments of Texas, Inc.	TX
K. Hovnanian DFW Agave Ranch, LLC	TX
K. Hovnanian DFW Ascend at Creekshaw, LLC	TX
K. Hovnanian DFW Ascend at Justin Crossing, LLC	TX
K. Hovnanian DFW Aspire at Noble Ridge, LLC	TX
K. Hovnanian DFW Aspire at Reunion, LLC	TX
K. Hovnanian DFW Auburn Farms, LLC	TX
K. Hovnanian DFW Bayside, LLC	TX
K. Hovnanian DFW Belmont, LLC	TX
K. Hovnanian DFW Berkshire II, LLC	TX
K. Hovnanian DFW Berkshire, LLC	TX
K. Hovnanian DFW Bluff Creek, LLC	TX
K. Hovnanian DFW Caldwell Lakes, LLC	TX
K. Hovnanian DFW Calloway Trails, LLC	TX

K. Hovnanian DFW Canyon Falls, LLC	TX
K. Hovnanian DFW Carillon, LLC	TX
K. Hovnanian DFW Commodore at Preston, LLC	TX
K. Hovnanian DFW Creekside Estates II, LLC	TX
K. Hovnanian DFW Diamond Creek Estates, LLC	TX
K. Hovnanian DFW Division, LLC	TX
K. Hovnanian DFW Elevon, LLC	TX
K. Hovnanian DFW Encore of Las Colinas II, LLC	TX
K. Hovnanian DFW Encore of Las Colinas, LLC	TX
K. Hovnanian DFW Gateway Parks, LLC	TX
K. Hovnanian DFW Harmon Farms, LLC	TX
K. Hovnanian DFW Heath Golf and Yacht Club, LLC	TX
K. Hovnanian DFW Heritage Crossing, LLC	TX
K. Hovnanian DFW Heritage Ranch, LLC	TX
K. Hovnanian DFW Heron Pond, LLC	TX
K. Hovnanian DFW High Pointe, LLC	TX
K. Hovnanian DFW Hightower, LLC	TX
K. Hovnanian DFW Homestead, LLC	TX
K. Hovnanian DFW Inspiration, LLC	TX
K. Hovnanian DFW Kensington Place, LLC	TX
K. Hovnanian DFW Kreymer at the Park, LLC	TX
K. Hovnanian DFW Lexington, LLC	TX
K. Hovnanian DFW Liberty Crossing II, LLC	TX
K. Hovnanian DFW Liberty Crossing, LLC	TX
K. Hovnanian DFW Liberty, LLC	TX
K. Hovnanian DFW Light Farms Cypress III, LLC	TX
K. Hovnanian DFW Light Farms II, LLC	TX
K. Hovnanian DFW Light Farms, LLC	TX
K. Hovnanian DFW Lincoln Pointe, LLC	TX
K. Hovnanian DFW Midtown Park, LLC	TX
K. Hovnanian DFW Milrany Ranch, LLC	TX
K. Hovnanian DFW Monterra, LLC	TX
K. Hovnanian DFW Mustang Lakes II, LLC	TX
K. Hovnanian DFW Mustang Lakes, LLC	TX
K. Hovnanian DFW North Creek, LLC	TX
K. Hovnanian DFW North Sky, LLC	TX
K. Hovnanian DFW Oakmont Park II, LLC	TX
K. Hovnanian DFW Oakmont Park, LLC	TX
K. Hovnanian DFW Palisades, LLC	TX
K. Hovnanian DFW Parkside, LLC	TX
K. Hovnanian DFW Parkview, LLC	TX

K. Hovnanian DFW Providence Commons, LLC	TX
K. Hovnanian DFW Ridgeview, LLC	TX
K. Hovnanian DFW Rolling Ridge, LLC	TX
K. Hovnanian DFW Sanford Park, LLC	TX
K. Hovnanian DFW Sapphire Bay, LLC	TX
K. Hovnanian DFW Seventeen Lakes, LLC	TX
K. Hovnanian DFW South Pointe, LLC	TX
K. Hovnanian DFW Sterling Greene, LLC	TX
K. Hovnanian DFW The Parks at Rosehill, LLC	TX
K. Hovnanian DFW Timberbrook, LLC	TX
K. Hovnanian DFW Trailwood II, LLC	TX
K. Hovnanian DFW Trailwood, LLC	TX
K. Hovnanian DFW Villas at Mustang Park, LLC	TX
K. Hovnanian DFW Villas at The Station, LLC	TX
K. Hovnanian DFW Watson Creek, LLC	TX
K. Hovnanian DFW Wellington Estates South, LLC	TX
K. Hovnanian DFW Wellington Villas, LLC	TX
K. Hovnanian DFW Wellington, LLC	TX
K. Hovnanian DFW Wildridge, LLC	TX
K. Hovnanian Distribution Services, Inc.	TX
K. Hovnanian Homes - DFW II, L.L.C.	TX
K. Hovnanian Homes - DFW, L.L.C.	TX
K. Hovnanian Houston Balmoral Park Lakes East Section 8, LLC	TX
K. Hovnanian Houston Balmoral, LLC	TX
K. Hovnanian Houston Bayou Oaks at West Orem, LLC	TX
K. Hovnanian Houston Cambridge Heights, LLC	TX
K. Hovnanian Houston City Heights, LLC	TX
K. Hovnanian Houston Creek Bend, LLC	TX
K. Hovnanian Houston Division, LLC	TX
K. Hovnanian Houston Dry Creek Village, LLC	TX
K. Hovnanian Houston Eldridge Park, LLC	TX
K. Hovnanian Houston Fairchild Farms, LLC	TX
K. Hovnanian Houston Greatwood Lake, LLC	TX
K. Hovnanian Houston Katy Pointe II, LLC	TX
K. Hovnanian Houston Katy Pointe, LLC	TX
K. Hovnanian Houston Kingdom Heights, LLC	TX
K. Hovnanian Houston Lakes of Bella Terra West II, LLC	TX
K. Hovnanian Houston Lakes of Bella Terra West, LLC	TX
K. Hovnanian Houston Laurel Glen, LLC	TX

K. Hovnanian Houston Magnolia Creek, LLC	TX
K. Hovnanian Houston Midtown Park I, LLC	TX
K. Hovnanian Houston Park Lakes East, LLC	TX
K. Hovnanian Houston Parkway Trails, LLC	TX
K. Hovnanian Houston River Farms, LLC	TX
K. Hovnanian Houston Sunset Ranch, LLC	TX
K. Hovnanian Houston Terra Del Sol, LLC	TX
K. Hovnanian Houston Thunder Bay Subdivision, LLC	TX
K. Hovnanian Houston Tranquility Lake Estates, LLC	TX
K. Hovnanian Houston Westwood, LLC	TX
K. Hovnanian Houston Willowpoint, LLC	TX
K. Hovnanian Houston Woodshore, LLC	TX
K. Hovnanian of Houston II, L.L.C.	TX
K. Hovnanian of Houston III, L.L.C.	TX
K. Hovnanian Texas Operations, LLC	TX
PARK TITLE COMPANY, LLC	TX
K. Hovnanian DFW Creekside Estates, LLC	TX
Eastern National Title Agency Virginia, Inc.	VA
GTIS-HOV Leeland Station LLC	VA
GTIS-HOV Willowsford Windmill LLC	VA
K. Hovnanian at Alexander Lakes, LLC	VA
K. Hovnanian at Bellewood, LLC	VA
K. Hovnanian at Bensen's Mill Estates, LLC	VA
K. Hovnanian at Canter V, LLC	VA
K. Hovnanian at Dominion Crossing, LLC	VA
K. Hovnanian at East Chase, LLC	VA
K. Hovnanian at Embrey Mill Village, LLC	VA
K. Hovnanian at Embrey Mill, LLC	VA
K. Hovnanian at Estates at Wheatlands, LLC	VA
K. Hovnanian at Estates of Chancellorsville, LLC	VA
K. Hovnanian at Hampton Run, LLC	VA
K. Hovnanian at Highland Park, LLC	VA
K. Hovnanian at Hoadly Falls, LLC	VA
K. Hovnanian at Holly Ridge, LLC	VA
K. Hovnanian at Hunter's Pond, LLC	VA
K. Hovnanian at Jacks Run, LLC	VA
K. Hovnanian at Jackson Village, LLC	VA
K. Hovnanian at Jameson Crossing, LLC	VA
K. Hovnanian at Laurel Hills Crossing, LLC	VA

K. Hovnanian at Lenah Woods, LLC	VA
K. Hovnanian at Lincoln Park, LLC	VA
K. Hovnanian at Madison Square, LLC	VA
K. Hovnanian at Meadow Springs Run, LLC	VA
K. Hovnanian at Melody Farm, LLC	VA
K. Hovnanian at New Post, LLC	VA
K. Hovnanian at Nicholson, LLC	VA
K. Hovnanian at North Hill, LLC	VA
K. Hovnanian at North Ridge, LLC	VA
K. Hovnanian at Occoquan Overlook, LLC	VA
K. Hovnanian at Old Carolina, LLC	VA
K. Hovnanian at Porchlight Commons, LLC	VA
K. Hovnanian at Potomac Trace, LLC	VA
K. Hovnanian at Raymond Farm, LLC	VA
K. Hovnanian at Reserves at Wheatlands, LLC	VA
K. Hovnanian at Residence at Discovery Square, LLC	VA
K. Hovnanian at Rockland Village Green, LLC	VA
K. Hovnanian at Rocky Run Village, LLC	VA
K. Hovnanian at Summit Crossing Estates, LLC	VA
K. Hovnanian at Tanager, LLC	VA
K. Hovnanian at The Grove at Jackson BFR, LLC	VA
K. Hovnanian at The Lofts at Durham Park, LLC	VA
K. Hovnanian at Townes at County Center, LLC	VA
K. Hovnanian at Waxpool Crossing, LLC	VA
K. Hovnanian at Wellsprings, LLC	VA
K. Hovnanian at Wilderness Shores, LLC	VA
K. Hovnanian at Willowsford Greens III, LLC	VA
K. Hovnanian at Wren Hollow, LLC	VA
K. Hovnanian Developments of Virginia, Inc.	VA
K. Hovnanian Homes at Burke Junction, LLC	VA
K. Hovnanian Homes at Leigh Mill, LLC	VA
K. Hovnanian Homes at Pender Oaks, LLC	VA
K. Hovnanian Homes at Thompson's Grant, LLC	VA
K. Hovnanian Homes at Willowsford Grange, LLC	VA
K. Hovnanian Homes at Willowsford Grant II, LLC	VA
K. Hovnanian Homes at Willowsford Grant, LLC	VA
K. Hovnanian Homes at Willowsford Greens, LLC	VA
K. Hovnanian Homes at Willowsford New, LLC	VA
K. Hovnanian Mid-Atlantic Division, LLC	VA
K. Hovnanian Mid-Atlantic Operations, LLC	VA
K. Hovnanian Summit Holdings, L.L.C.	VA
K. Hovnanian Virginia Operations, Inc.	VA
K. Hovnanian's Four Seasons at Charlottesville II, LLC	VA
K. Hovnanian's Four Seasons at New Kent Vineyards, L.L.C.	VA
K. Hovnanian's Four Seasons at Plank Ridge, LLC	VA
K. Hovnanian's Four Seasons at Virginia Crossing, LLC	VA
K. Hovnanian at Dillon Farm, LLC	WV
K. Hovnanian at Estates of Tuscarora, LLC	WV
K. Hovnanian at Huntfield, LLC	WV
K. Hovnanian Developments of West Virginia, Inc.	WV
K. Hovnanian Homes at Liberty Run, LLC	WV
K. Hovnanian Homes at Shenandoah Springs, LLC	WV
K. Hovnanian West Virginia Build on Your Lot Division, LLC	WV
K. Hovnanian West Virginia Operations, LLC	WV
Midwest Building Products & Contractor Services of West Virginia, L.L.C.	WV

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated December 18, 2024, relating to the consolidated financial statements of Hovnanian Enterprises, Inc. and the effectiveness of the Hovnanian Enterprises, Inc.'s internal control over financial reporting appearing in the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the year ended October 31, 2024:

1. Registration Statements Nos. 333-113758, 333-106756, and 333-92977 on Form S-8 pertaining to the Amended and Restated 2008 Hovnanian Enterprises, Inc. Stock Incentive Plan (which superseded and replaced the Amended and Restated 1999 Hovnanian Enterprises, Inc. Stock Incentive Plan), and Hovnanian Enterprises, Inc. Senior Executive Short-Term Incentive Plan, as amended and restated;
2. Registration Statement No. 333-56972 on Form S-8 pertaining to the Hovnanian Enterprises, Inc. 1983 Stock Option Plan as amended and restated;
3. Registration Statement No. 333-56640 on Form S-8 pertaining to the Washington Homes Employee Stock Option Plan;
4. Registration Statement No. 333-180668 on Form S-8 pertaining to the 2012 Hovnanian Enterprises, Inc. Stock Incentive Plan;
5. Registration Statement Nos. 333-194542, 333-210218 and 333-230417 on Form S-8 pertaining to the 2012 Hovnanian Enterprises, Inc. Amended and Restated Stock Incentive Plan; and
6. Registration Statement Nos. 333-239045, 333-254853, 333-265462 and 333-279882 on Form S-8 pertaining to the Third Amended and Restated 2020 Hovnanian Enterprises, Inc. Stock Incentive Plan.

/s/Deloitte & Touche LLP

New York, New York

December 18, 2024

CERTIFICATIONS
Exhibit 31(a)

I, Ara K. Hovnanian, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended October 31, 2024 of Hovnanian Enterprises, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 18, 2024

/s/ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman, President and Chief Executive Officer

CERTIFICATIONS
Exhibit 31(b)

I, Brad O'Connor, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended October 31, 2024 of Hovnanian Enterprises, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 18, 2024

/s/BRAD O'CONNOR

Brad O'Connor
Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-K for the year ended October 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ara K. Hovnanian, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 18, 2024

/s/ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman, President and Chief Executive Officer

Exhibit 32(b)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-K for the year ended October 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad O'Connor, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 18, 2024

/s/BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer and Treasurer
