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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

HERBERT MANKOFSKY, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. J. LARRY SORSBY, Defendant.	No. CV07-05994 MMM(JWJx) COMPLAINT FOR BREACH OF FIDUCIARY DUTY **JURY TRIAL DEMANDED**

INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Hovnanian Enterprises Inc. ("Hovnanian" or the "Company") between December 8, 2005 and August 13, 2007 (the "Class Period"), for defendant's violations of the Securities Exchange Act of 1934 ("1934 Act").

2. Hovnanian engages in building residential homes in the United

ORIGINAL

States. It designs, constructs, markets, and sells single-family detached homes, attached townhomes and condominiums, mid-rise and high-rise condominiums, urban infill, and adult homes.

3. During the Class Period, the defendant issued materially false and misleading statements regarding the Company's business and prospects. As a result of these misleading statements, Hovnanian stock traded at artificially inflated prices during the Class Period, reaching a high of $54.29 per share in January 2006.

4. As a result of defendant's misleading statements and failure to disclose, Hovnanian stock traded at inflated levels during the Class Period. However, As a direct result of the market learning of defendant's wrongdoing, the price of Hovnanian shares declined and plaintiff and the class suffered a loss on their investment in Hovnanian.

JURISDICTION AND VENUE

5. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

6. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements affected persons in this District.

PARTIES

7. Plaintiff Herbert Mankofsky purchased Hovnanian common stock as

described in the attached certification and was damaged thereby.

8. Defendant J. Larry Sorsby ("Sorsby") is, and at times relevant hereto, was Executive Vice President and Chief Financial Officer of Hovnanian.

9. Because of his positions with the Company, the defendant possessed the power and authority to control the contents of Hovnanian's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. He was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of his positions with the Company, and access to material non-public information available to him but not to the public, the defendant knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading.

SUBSTANTIVE ALLEGATIONS

10. Defendant Hovnanian engages in building residential homes in the United States. The Company designs, constructs, markets, and sells single-family detached homes, attached townhomes and condominiums, mid-rise and high-rise condominiums, urban infill, and adult homes. The company markets and builds

homes primarily for first-time buyers, first-time and second-time move-up buyers, luxury buyers, adult buyers, and empty nesters. Hovnanian Enterprises also engages in the sale of land, and also offers mortgage loans and title insurance products and services.

False and Misleading Statements Issued During the Class Period

11. On December 7, 2005, Hovnanian issued a press release announcing the Company's fiscal year 2005 financial results. The press release stated in part:

> **Hovnanian Enterprises Reports 34% Increase in Fiscal 2005 EPS; Achieves Record Revenues, Earnings, Deliveries and Backlog; Reaffirms Earlier Fiscal 2006 Guidance of $8.05 to $8.40 Per Share**
>
> Highlights for the Fiscal Year Ended October 31, 2005
>
> * Earnings per share for fiscal 2005 increased 34% to a record $7.16 per fully diluted common share, compared with $5.35 per fully diluted common share a year ago. Total revenues were $5.3 billion, a 29% increase over last year's total revenues.
>
> * Earnings for fiscal 2005 represent an after-tax return on beginning common equity (ROE) of 39.3% and an after-tax return on beginning capital (ROC) of 23.7%.
>
> * Earnings per share for fiscal 2005 represent a five-year compound annual growth rate of 57%.
>
> * EBITDA increased 37% to $928.0 million in fiscal 2005, covering interest 9.0 times for the year. At October 31, 2005, the Company's ratio of net recourse debt-to-capitalization was 41.7%.

* Homebuilding gross margins increased to 26.4% for the full year in fiscal 2005, up 90 basis points from 25.5% last year.

* The dollar value of net contracts for the full year, including unconsolidated joint ventures, increased 31% to $6.4 billion on 18,738 homes, compared to $4.9 billion on 16,148 homes in fiscal 2004. For the fourth quarter of fiscal 2005, the dollar value of net contracts, including unconsolidated joint ventures, rose 46%.

* Contract backlog as of October 31, 2005, including unconsolidated joint ventures, was $5.1 billion, up 91% from the dollar value of backlog at October 31, 2004, leaving the Company well-positioned for continued earnings growth in fiscal 2006.

* Management is reaffirming its projection for fiscal 2006 of earnings between $8.05 to $8.40 per fully diluted common share on current expectations of more than 22,000 home deliveries, including more than 2,000 deliveries from unconsolidated joint ventures.

RED BANK, N.J., Dec. 7 /PRNewswire-FirstCall/ – Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported net income available to common stockholders of $469.1 million, or $7.16 per fully diluted common share, on $5.3 billion in total revenues for the year ended October 31, 2005. Net income available to common stockholders in fiscal 2004 was $348.7 million, or $5.35 per fully diluted share, on total revenues of $4.2 billion.

Consolidated deliveries for fiscal 2005 were 16,274 homes with an aggregate sales value of $5.2 billion, compared with consolidated deliveries of 14,586 homes in fiscal 2004 with an aggregate sales value of $4.1 billion, a 27% sales value increase.

Homebuilding gross margin, before interest expense included in cost of sales, was 26.4% for fiscal 2005, an increase of 90 basis points from 25.5% on a comparable basis last year. Total stockholders' equity grew 50% to $1.8 billion at October 31, 2005 from $1.2 billion at the end of fiscal 2004.

For the three months ended October 31, 2005, total revenues reached $1.8 billion, up 26% compared to $1.4 billion for the year earlier period. Net income available to common stockholders for the fiscal 2005 fourth quarter increased 24% to $165.4 million, or $2.53 per fully diluted common share, compared to $133.8 million, or $2.06 per fully diluted common share, in the same period a year ago. Compared to the fourth quarter of fiscal 2004, the dollar value of net contracts during the same period in fiscal 2005 increased by 46.4% and the dollar value of home deliveries rose by 35.1%, including contracts and deliveries from unconsolidated joint ventures.

Comments from Management

"We are very pleased to report yet another year where we achieved record results in a number of categories, including deliveries, revenues, net income and backlog," said Ara K. Hovnanian, President and Chief Executive Officer of the Company. "Given the 5% annual growth of the overall housing market since 2000, our growth rate in deliveries of 30% over the same period of time is indicative of the market share gains that our Company and the other large homebuilders have been achieving, as we continue to take market share from smaller builders. Our market share growth is a result of our two-pronged strategy of driving organic growth through market share gains in our existing markets, while also expanding our geographic footprint through strategic acquisitions. Our organic growth was particularly evident in our Washington, DC operations, where the number of net contracts increased 57% and the dollar value of net contracts rose 75% for the fourth quarter, in each case excluding unconsolidated joint ventures. This was primarily a result of growing our number of active communities and thus taking share from other builders. At the same time, we completed four strategic acquisitions in 2005. The integration of these companies is well underway and has become a core competency of our Company. However, for the full fiscal 2005 year, 91% of our earnings per share growth came from our organic operations. While our acquisitions typically provide healthy cash returns from the outset, the amount of GAAP earnings they contribute grows in later years as we reduce, and eventually eliminate, additional expenses from premium amortization and earnouts relating to the acquisitions," Mr. Hovnanian continued.

"While we were able to exceed our most recent EPS projections for the year, the timing of Hurricane Wilma's landfall on Florida at the end of our fiscal year adversely impacted the Company's ability to deliver homes in southeast and southwest Florida during the last 10 days of the fiscal year," Mr. Hovnanian said. "Our earnings would have been higher in our fourth quarter without the impact of these lost deliveries. However, we are pleased that we were able to make up for this impact by exceeding our expectations in other parts of our operations, confirming our belief in the value of having diversified operations. Overall, we are delighted with our performance in 2005, and more importantly we are excited with our land positions and market- leading powers of scale which position us for additional growth in 2006 and beyond," Mr. Hovnanian concluded.

"We believe that our more highly-regulated markets, including California, Washington, D.C., and the Northeast are returning to a more normalized level of activity with regard to both sales pace and price increases," said J. Larry Sorsby, Executive Vice President and Chief Financial Officer. "This return to normalcy is a healthy scenario and one in which we believe we can continue performing extremely well. Our internal and public projections have always assumed that sales prices remain flat and the sales pace in each of our communities remains at current levels. Given those assumptions we continue to believe we will be able to grow both our revenues and our earnings per share through further market share gains and increased community counts, while generating strong net returns on our invested capital."

"As we enter fiscal 2006, our backlog of almost 15,000 homes with a sales value in excess of $5 billion provides us with excellent visibility for earnings and deliveries during fiscal 2006," Mr. Sorsby said. "We are maintaining our earnings per share projections for 2006 in the range of $8.05 to $8.40 per fully diluted common share. These projections for fiscal 2006 are inclusive of a full year of preferred dividends, and are after amortizing more than $95 million of non-cash pre-tax expenses related to company acquisition premiums. In addition, based on the new GAAP rules, we estimate recognizing for the first time in fiscal 2006 $11.5 million in non-cash employee stock option expense."

"While our backlog is strong, a variety of issues are causing a greater back-end weighting of our fiscal 2006 results. Due primarily to the adverse impact of Hurricane Wilma, regulatory delays in California and construction delays caused by labor and material shortages in Arizona and Florida, we project first quarter earnings to be 13% to 16% of our full-year 2006 earnings projection, in the range of $1.10 to $1.25 per fully diluted common share. In fiscal 2005, our first quarter earnings were approximately 17% of our full year earnings," Mr. Sorsby continued.

"We ended the year with a net recourse debt-to-capital ratio of 41.7%, well below our long-term target net recourse debt-to-capital ratio of 50%," Mr. Sorsby continued. "At the same time, we repurchased 600,000 shares in fiscal 2005, with 1.5 million shares remaining in our current authorization. It is tempting to repurchase an even greater number of shares given our current low valuation and low P/E multiple; however, we believe current opportunities in the land and housing market allow us to generate greater returns on capital, even in a more normalized sales environment, than repurchasing more stock. In a consolidating market, provided we continue to find investment opportunities that we expect will generate high returns on capital, we feel it is important to continue expansion," Mr. Sorsby concluded.

In Closing

"While our 2005 results benefited from strong housing markets, in many of our more regulated markets in particular, we believe that we are well- positioned with a sound business model that will allow us to continue to thrive even in a less robust housing market," Mr. Hovnanian said. "We are maintaining our discipline when acquiring land for future communities with an emphasis on achieving strong returns, without the benefit of any price increases and with sales paces that are in line with market norms. While the pace of housing demand and price increases may moderate over the short term, we believe that the long-term fundamentals of the housing industry will provide for a healthy environment to profitably grow in 2006 and further into the future," Mr. Hovnanian concluded.

* * *

12. On February 22, 2006, Hovnanian issued a press release announcing the Company's preliminary net contracts and sales backlog for the first quarter ended January 31, 2006. The press release stated in part:

> **Hovnanian Enterprises Announces 22% Increase in Dollar Value of Net Contracts for the First Quarter and 82% Increase in the Dollar Value of Contract Backlog as of the End of the First Quarter**
>
> RED BANK, N.J., Feb. 22 /PRNewswire-FirstCall/ – Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, announced today preliminary net contracts and sales backlog for the first quarter ended January 31, 2006. For the first quarter of fiscal 2006, the dollar value of net contracts, including unconsolidated joint ventures, increased 22.0%, and the number of net contracts increased 11.9%, when compared with the first quarter last year. The sales value of contract backlog at January 31, 2006, including unconsolidated joint ventures, increased 81.7% on a year-over-year basis, and the number of homes in contract backlog increased 81.0% when compared to the end of the first quarter of fiscal 2005.
>
> Despite solid growth in net contracts for the quarter, the Company stated that many of its more highly-regulated markets, including California, Florida, Washington, D.C., and the Northeast, continued to experience a more normalized level of activity during the quarter with regard to both sales pace and price increases, similar to the market conditions that the Company reported in December with its

year-end earnings release. Market conditions remain somewhat slower than the very strong sales environment experienced in these markets earlier in 2005 and 2004.

The Company delivered 3,845 homes in the first quarter of fiscal 2006, excluding unconsolidated joint ventures, compared with 3,266 homes delivered during last year's first quarter. Deliveries from the Company's unconsolidated joint ventures were 585 in the first quarter of 2006 compared with 22 in the first quarter of 2005.

Hovnanian will release earnings for the first quarter ended January 31, 2006 after the close of the New York Stock Exchange on Wednesday, March 1, 2006. While the Company has not finalized its results for the quarter, based on the number of homes delivered in the quarter, the Company expects to be able to meet or slightly exceed its previous projection of earnings in the range of $1.10 to $1.25 per fully diluted common share for the first quarter of 2006. Although Hovnanian's current practice is to report net contracts on a quarterly basis in conjunction with its quarterly earnings release, this information is being provided in compliance with Regulation FD in anticipation of communications with the investment community at an upcoming investor conference.

* * *

13. On March 1, 2006, Hovnanian issued a press release announcing the Company's first quarter 2006 financial results. The press release stated in part:

Hovnanian Enterprises Reports Fiscal 2006 First Quarter Results; Achieves Record Revenues, Deliveries and Backlog; Maintains Fiscal 2006 EPS Projection

Highlights for the Quarter Ended January 31, 2006

* Net income available to common stockholders was $81.4 million for the first quarter, or $1.25 per fully diluted common share, compared with $81.5 million, or $1.25 per fully diluted common

share, in last year's first quarter. First quarter earnings were at the top of the Company's range of earnings guidance. Total revenues increased 21% to $1.3 billion in the 2006 first quarter.

* Management is reaffirming its projection for fiscal 2006 of earnings between $8.05 and $8.40 per fully diluted common share, up between 12% and 17% compared to fiscal 2005 earnings of $7.16 per fully diluted common share.

* Earnings for the trailing twelve months ended January 31, 2006 represent an after-tax return on beginning common equity (ROE) of 36.7% and an after-tax return on beginning capital (ROC) of 21.1%.

* The dollar value of net contracts for the first quarter, including unconsolidated joint ventures, increased 22% to $1.3 billion, compared to $1.0 billion in last year's first quarter. The number of net contracts, including unconsolidated joint ventures, in the first quarter rose to 3,624 contracts, an 11.9% increase from last year's first quarter.

* Contract backlog as of January 31, 2006, including unconsolidated joint ventures, was 14,125 homes with a sales value of $4.9 billion, up 82% from the sales value of contract backlog at January 31, 2005.

* The Company's ratio of net recourse debt-to-capitalization at January 31, 2006 was 47.3%.

RED BANK, N.J., March 1 /PRNewswire-FirstCall/ – Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported net income available to common stockholders of $81.4 million, or $1.25 per fully diluted common share, on $1.3 billion in total revenues for the quarter ended January 31, 2006. Net income available to common stockholders in the first quarter of fiscal 2005 was $81.5 million, or $1.25 per fully diluted common share, on total revenues of $1.1 billion.

Consolidated deliveries in the first quarter of fiscal 2006 were 3,845 homes with an aggregate sales value of $1.2 billion. This compares to consolidated deliveries of 3,266 homes in the first quarter of fiscal 2005 with an aggregate sales value of $1.0 billion. In the first quarter of fiscal 2006, the Company delivered 585 homes in unconsolidated joint ventures, compared with 22 homes in last year's first quarter. The number of active selling communities on January 31, 2006, excluding unconsolidated joint ventures, was 371 compared with 293 at the end of the same period last year.

Homebuilding gross margin in the first quarter of 2006, after interest expense included in cost of sales, was 24.3%, up 50 basis points from 23.8% on a comparable basis in last year's first quarter. Income before income taxes increased during the fiscal 2006 first quarter to $135.2 million compared with $131.9 million in the first quarter of fiscal 2005, despite recognizing approximately $3.3 million of pretax expenses associated with non-cash employee stock option expense. Total stockholders' equity grew 47% to $1.9 billion at January 31, 2006 from $1.3 billion at the end of the fiscal 2005 first quarter.

Comments from Management

"We are pleased to report first quarter results at the top of our guidance range," said Ara K. Hovnanian, President and Chief Executive Officer of the Company. "Despite the negative impact of Hurricane Wilma's landfall on Florida in October of last year and the subsequent delays that we have incurred in permitting, along with shortfalls in both materials and labor in several of our markets, we were able to deliver a record 3,845 homes in the first quarter on a consolidated basis."

"During recent months, market conditions in many of our more highly- regulated markets, including California, Florida, Washington, D.C., and the Northeast, have cooled from their previous white hot levels, with respect to both sales pace and price increases," Mr. Hovnanian continued. "We commented on this slower sales pace in early December when we reported our year-end earnings. While conditions in these markets have improved from the period between Thanksgiving and the end of January, which is traditionally a slow seasonal period, they remain slower than they were during the comparable time frame a year ago."

"Fortunately, our broad price and product diversity, as well as our geographic mix, are helping to temper the effects of the slowing market that some builders are experiencing," Mr. Hovnanian continued. "In certain markets where investors in new homes and condos have been more prevalent over the past few years, it now appears that such investors are no longer contributing to demand, but instead are adding to supply as they list their condos and homes for resale. As a result, we have seen an increase in the level of resale listings in several of our markets. However, we expect that sales of new homes will rebound in these markets once the overhang of investor resales is cleared out. Our view is supported by our experience in the Orange County, California market, where this exact pattern occurred about a year ago. Our outlook is also bolstered by the difficult regulatory conditions in many of these markets, which have resulted in significant price appreciation over the past several years and have caused new home permits to be far less than these markets experienced in the mid 1980's. These markets remain at new home production and sales levels well below the pace of job creation and population growth. Despite slower sales conditions during our first quarter, we were able to report a solid 22% increase in the dollar value of our net contracts for the quarter - evidence of our ability to continue to gain market share. And some of our less-regulated markets, such as Dallas, Houston and the major North Carolina metropolitan markets, are actually strengthening modestly as the job picture continues to improve in those areas," Mr. Hovnanian stated.

"Over the past five years, we have achieved a 57% compound annual growth rate in earnings per share," said J. Larry Sorsby, Executive Vice President and Chief Financial Officer. "This phenomenal level of earnings growth ranked us 10th in the Fortune 500 last year. We expect to post earnings growth and continued strong performance in 2006 and in future years, but at a more measured pace than the extraordinary rate of growth we achieved over the past few years. This expectation of a healthy but slower pace of growth is reflected in our projections for fiscal 2006 earnings, which we are maintaining in the range of $8.05 to $8.40 per fully diluted common share. This range of earnings would represent a 12% to 17% increase over our 2005 earnings and a return on beginning equity above 30%. Our 2006 projections reflect the slower market conditions that we are experiencing currently, as evidenced by a 140 to 190 basis point projected decline in our consolidated homebuilding gross margin and a lower projected number of deliveries from California than we achieved in fiscal 2005."

"While our contract backlog is very strong, regulatory and production delays are contributing to a significant weighting of our fiscal 2006 deliveries toward the second half of the year, with an especially large number of deliveries projected for our fourth quarter," Mr. Sorsby continued. "Our first quarter earnings were only about 15% of our projected earnings for the year, and we are expecting 2006 second quarter earnings to be in the range of $1.55 to $1.80 per fully diluted common share, representing only 19% to 22% of our projected earnings for the full year," stated Mr. Sorsby.

In Closing

"We are satisfied that both our sales and deliveries were healthy in our first quarter, which is seasonally the most difficult time of year to get a clear reading on current demand for new homes in most of our markets," said Mr. Hovnanian. "Our sales teams are well-prepared as the spring selling season begins in earnest this month. Traffic at our communities has started to improve again, but in today's environment we must work harder to sell homes, not just take orders. We are also well positioned for earnings growth during the remainder of 2006, with a $4.9 billion contract backlog as we start the second quarter. The major challenges for achieving our 2006 projections relate primarily to construction of the homes that are in our contract backlog, particularly in Florida, where in spite of the production delays that we are currently experiencing, we expect to deliver approximately 20% of our total home closings in 2006. We are also focused on continuing to generate sales that will lead to 2007 deliveries. While we expect margins on new sales to be lower as many markets return to a normal, healthy sales environment, without the positive effects of pent-up price increases that have benefited our margins over the past several years, we see no evidence of a 'bubble bursting.' Most importantly, we are continuing to take market share, as evidenced by our growth in sales contracts and our increasing number of active communities. As a result, we believe we will continue to grow revenues and profits in 2007, even if the sales pace per community continues at a slower pace," Mr. Hovnanian concluded.

* * *

14. On May 31, 2006, Hovnanian issued a press release announcing the Company's second quarter 2006 financial results. The press release stated in part:

Hovnanian Enterprises Reports Fiscal 2006 Second Quarter Results; Maintains Fiscal 2006 EPS Projection

Highlights for the Quarter Ended April 30, 2006

* Net income available to common stockholders was $101.0 million for the second quarter, or $1.55 per fully diluted common share, compared with $106.1 million, or $1.62 per fully diluted common share, in last year's second quarter. Total revenues increased 30% to $1.6 billion.

* Management is reaffirming its projection for the fiscal year ending October 31, 2006 of earnings between $7.20 and $7.40 per fully diluted common share, compared to fiscal 2005 earnings of $7.16 per fully diluted common share.

* Earnings for the trailing twelve months ended April 30, 2006 represent an after-tax return on beginning common equity (ROE) of 33.8%, and a 19.4% return on beginning capital (ROC).

* Contract backlog as of April 30, 2006, including unconsolidated joint ventures, was 13,384 homes with a sales value of $4.8 billion, up 23% from the sales value of contract backlog at April 30, 2005.

* The dollar value of net contracts for the second quarter of 2006, including unconsolidated joint ventures, decreased 18% to $1.5 billion, compared to $1.9 billion in last year's second quarter. The number of net contracts, including unconsolidated joint ventures, declined 19% to 4,342 contracts.

* Excluding unconsolidated joint ventures, the Company delivered 4,555 homes with an aggregate sales value of $1.5 billion in the second quarter of fiscal 2006, compared to deliveries of 3,748 homes with an aggregate sales value of $1.2 billion in the second quarter of fiscal 2005. In the second quarter of fiscal 2006, the Company delivered 612 homes in unconsolidated joint ventures, compared with 351 homes in last year's second quarter.

RED BANK, N.J., May 31 /PRNewswire-FirstCall/ – Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported net income available to common stockholders of $101.0 million, or $1.55 per fully diluted common share, on $1.6 billion in total revenues for the quarter ended April 30, 2006. This is slightly greater than the company's prior guidance. For the six-month period ended April 30, 2006, revenues reached $2.9 billion, a 26% increase from $2.3 billion in revenues in the year earlier period. Net income available to common stockholders for the first half of fiscal 2006 was $182.4 million, or $2.80 per fully diluted common share, compared to $187.6 million, or $2.87 per fully diluted common share, in the same period a year ago.

Consistent with prior guidance, second quarter land sale profits were approximately $0.18 per fully diluted common share. Homebuilding gross margin in the 2006 second quarter, excluding interest expense in cost of sales, was 23.7%, compared with 26.4% in the 2005 second quarter. Total stockholders' equity grew 44% to $1.98 billion at April

30, 2006 from $1.37 billion on April 30, 2005. The Company was operating 411 active selling communities on April 30, 2006, excluding unconsolidated joint ventures, compared with 308 at the end of the second quarter last year.

Comments from Management

"Our performance in the first half of fiscal 2006 was just behind last year's record-setting performance, and our current sales pace, along with our strong contract backlog, positions us to conclude another solid year of deliveries, revenues and earnings, despite the current environment of slowing housing markets," said Ara K. Hovnanian, President and Chief Executive Officer of the Company. "Our return on beginning common equity for fiscal 2006 is projected to be nearly 30%, significantly higher than the average ROE among companies comprising the S&P 500.

"In the near term, we continue to experience a more challenging sales environment in most of our markets, when compared with conditions over the past few years," Mr. Hovnanian continued. "However, we believe the slowdown has been affected primarily by a sharp increase in investor resale inventory in some of our markets and community locations, combined with much more cautious buyer sentiment. Fortunately, economic and demographic fundamentals remain strong. Thus, we expect our more regulated markets, including New Jersey, California, Florida and metropolitan Washington, D.C., will return to a stronger level of sales contracts as the market overhang is absorbed and buyer sentiment improves. In the interim, we are managing our company and our land position cautiously, as we have done in past downturns during our 47-year history," Mr. Hovnanian stated. "And we have taken steps to prepare our sales associates and our communities to meet the more competitive environment that we are currently experiencing.

"As many of our housing markets have continued to cool off from the white- hot levels of previous years, we have renegotiated option contracts on numerous land parcels - primarily those negotiated within the last twelve months that no longer adequately reflect the pricing and returns available in the current sales environment," Mr. Hovnanian said. "We also walked away from about $5.6 million of deposits on land parcels that we controlled through options when we were unable to successfully renegotiate the purchase terms. This amount was charged off and reflected in our second quarter earnings, impacting net results by $0.05 per fully diluted common share. For years, we have employed a strategy of controlling land predominantly with options to allow us to efficiently manage inventories under changing market conditions. Our disciplined approach allows us to achieve the best possible returns commensurate with prudent risk for the Company and our shareholders," Mr. Hovnanian concluded.

"We expect earnings for the fiscal year ending October 31, 2006 to be in the range of $7.20 to $7.40 per fully diluted common share, slightly higher than what we achieved in 2005," said J. Larry Sorsby, Executive Vice President and Chief Financial Officer. "Given our current $4.8 billion sales backlog and our recent sales pace, we are well positioned to deliver on these expectations. More than 85% of our projected deliveries are either in sales backlog or delivered as of April 30th. We expect earnings for the third quarter to be in a range of $1.40 to $1.50 per fully diluted common share," Mr. Sorsby continued. "We expect to continue to manage the Company's average ratio of net recourse debt-to-capitalization below 50% for fiscal 2006. The ratio at April 30, 2006, which is typically near a seasonal peak for the year, was 50.6%."

In Closing

"We have consciously slowed our new land acquisition activity by underwriting transactions to our hurdle of a 30 percent unleveraged Internal Rate of Return while utilizing today's market environment including lower net prices and lower monthly sales pace assumptions. Additionally, to compete in today's environment, we have made adjustments in our advertising and selling efforts, as well as our pricing strategies," said Mr. Hovnanian. "Sales contracts have slowed from the white-hot pace we enjoyed the past couple of years, but they continue at sound historical levels. Our resolve and long-term focus to become a better, more efficient homebuilder has not changed. As we move ahead, we expect to be able to continue generating strong returns," Mr. Hovnanian concluded.

* * *

15. On September 6, 2006, Hovnanian issued a press release announcing the Company's third quarter 2006 financial results. The press release stated in part:

Hovnanian Enterprises Reports Fiscal 2006 Third quarter Results; Maintains Fiscal 2006 EPS Projection

Highlights for the Quarter Ended July 31, 2006

* Net income available to common stockholders was $74.4 million for the third quarter, or $1.15 per fully diluted common share, compared with $116.1 million, or $1.76 per fully diluted common share, in the same quarter last year. Total revenues increased 18% over the prior year's third quarter, to $1.6 billion.
* Management is reaffirming its earnings projection for the fiscal year ending October 31, 2006 of between $5.00 and $5.75 per fully diluted common share, compared to fiscal 2005 earnings of $7.16 per fully diluted common share.
* Earnings for the trailing twelve months ended July 31, 2006 represent a return on beginning common equity (ROE) of 28.3%, and a 17.5% after-tax return on beginning capital (ROC).
* Contract backlog as of July 31, 2006, excluding unconsolidated joint ventures, was 10,313 homes with a sales value of $3.6 billion, a 12.5% increase from the sales value of contract backlog at the end of last year's third quarter.
* The number of net contracts for the third quarter of 2006, excluding unconsolidated joint ventures, declined 19.2% to 3,349 contracts. The dollar value of net contracts for the third quarter of

2006, excluding unconsolidated joint ventures, decreased 23.5% to $1.1 billion, compared to $1.4 billion in last year's third quarter. The Company's contract cancellation rate for the quarter was 33%, compared with 32% in the second quarter of 2006 and 24% in last year's third quarter.

* Excluding unconsolidated joint ventures, the Company delivered 4,623 homes with an aggregate sales value of $1.5 billion in the third quarter of fiscal 2006, up 16.5% compared to deliveries of 3,967 homes with an aggregate sales value of $1.3 billion in the third quarter of fiscal 2005. In the third quarter of fiscal 2006, the Company delivered 498 homes in unconsolidated joint ventures, compared with 571 homes in last year's third quarter.

* The Company was operating 436 active selling communities on July 31, 2006, excluding unconsolidated joint ventures, compared with 323 at the end of last year's third quarter.

RED BANK, N.J., Sept. 6 /PRNewswire-FirstCall/ – Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported net income available to common stockholders of $74.4 million, or $1.15 per fully diluted common share, on $1.6 billion in total revenues for the quarter ended July 31, 2006. For the nine-month period ended July 31, 2006, revenues reached $4.4 billion, a 23% increase from $3.6 billion in revenues in the year earlier period. Net income available to common stockholders for the first nine months of fiscal 2006 was $256.8 million, or $3.95 per fully diluted common share, compared to $303.7 million, or $4.63 per fully diluted common share, in the same period a year ago. Common stockholders' equity grew to $1.9 billion, or $31.07 per common share, at July 31, 2006, a 29% increase from $1.5 billion, or $24.16 per common share, on July 31, 2005.

Comments From Management

"Since the end of last summer, we have experienced a deteriorating environment for new home sales in many of our more regulated markets," said Ara K. Hovnanian, President and Chief Executive Officer of the Company. "This current market slowdown is unique, because the economy is relatively strong - jobs are being created and interest rates remain at levels that are low on a historical basis. Under similar economic circumstances, the homebuilding market historically performed well. We believe the current slower housing market has resulted from the sudden and substantial increase in the inventory of homes offered for resale, combined with mounting negative sentiment among homebuyers that has caused many to postpone their purchase decisions."

"We do not know how long the elevated levels of resale listings will persist and it is equally difficult to predict what events might cause a reversal in buyers' sentiment. Thus, we are making decisions today with the assumption that current conditions will persist for the foreseeable future. We remain focused on competitively pricing our homes on a community-by-community basis to balance our margins and sales pace at an optimal level relative to market conditions," Mr. Hovnanian continued.

"We continue to take down land and open new communities where the economic returns achieve acceptable returns under today's sales pace and pricing assumptions. Conversely, we attempt to renegotiate option contracts when current conditions yield a lower than acceptable return on our investment," Mr. Hovnanian said. "In situations where we have been unsuccessful in renegotiating, we believe the walk-away costs we have incurred are preferable to investing a much larger dollar amount to own land that would generate a sub-par return on capital. The flexibility we gain through the use of options allows us to maximize returns on capital over the long-term," Mr. Hovnanian concluded.

"Our profits have been negatively impacted by the increased use of incentives and concessions, as well as expenses related to walking away from option deposits," said J. Larry Sorsby, Executive Vice President and Chief Financial Officer. "We incurred $11.4 million of charge-offs associated with walk-away costs and an additional $0.8 million in land write-downs in the third quarter. We continue to renegotiate a significant number of our land contracts, and are likely to incur additional walk-away costs in conjunction with some of these situations. Although a certain number of such costs are factored into our guidance for the fourth quarter, we cannot quantify the exact amount or reserve for them until each contract renegotiation is finalized, thus creating an additional variable in our forecast. Based on current market conditions, we anticipate fully diluted earnings per common share in a range of $1.05 to $1.80 in our fourth quarter," Mr. Sorsby continued. "Our balance sheet remains strong. We expect to achieve an average ratio of net recourse debt to capital at or below 50% for fiscal 2006."

In Closing

"Our targeted hurdle rate on all new land acquisitions, combined with our discipline in evaluating such acquisitions on the basis of current sales absorption and pricing, acts as a self regulating mechanism in less robust markets by naturally slowing our acquisitions as sales conditions deteriorate. Despite the current slowdown, including deliveries from unconsolidated joint ventures, we still expect to deliver more than 20,000 homes and generate pretax income in the range of $535 million to $610 million, and net income in a range of $325 million to $375 million on revenues of greater than $6 billion in fiscal 2006. At the same time, during the current slowdown, our associates are working hard to maximize our homebuyers' satisfaction through processes and initiatives that we have implemented over the past few years, keeping us focused on our goal of delivering quality and value to each of our homebuyers," Mr. Hovnanian concluded.

* * *

16. On December 18, 2006, Hovnanian issued a press release announcing the Company's fiscal year 2006 financial results. The press release stated in part:

Hovnanian Enterprises Reports Fiscal 2006 Results and Provides Initial 2007 Guidance

Highlights for the Fiscal Year Ended October 31, 2006 - The Company reported net income of $138.9 million for fiscal 2006, or $2.14 per fully diluted common share, compared with $469.1 million, or $7.16 per fully diluted common share, in fiscal 2005. Total revenues increased 15% over the prior year, to $6.1 billion. - During fiscal 2006, the Company incurred $336 million of charges related to inventory impairments and land option write-offs, including $315 million in the fourth quarter. - Prior to the effect of the land-related charges, pretax earnings for fiscal 2006 were $569 million, equivalent to $5.46 of net earnings per fully diluted common share. - Excluding unconsolidated joint ventures, the Company delivered 17,940 homes with an aggregate sales value of $5.9 billion in fiscal 2006, up 10.2% compared to deliveries of 16,274 homes with an aggregate sales value of $5.2 billion in fiscal 2005. In fiscal 2006, the Company delivered 2,261 homes in unconsolidated joint ventures, up 49.8% compared with 1,509 homes in fiscal 2005. - The number of net contracts for fiscal 2006, excluding unconsolidated joint ventures, declined 18.2% to 13,761 contracts. The dollar value of net contracts for fiscal 2006, excluding unconsolidated joint ventures, decreased 17.3% to $4.6 billion, compared to $5.6 billion last year. - Contract backlog as of October 31, 2006, excluding unconsolidated joint ventures, was 8,496 homes with a sales value of $2.9 billion, compared with a $4.1 billion sales value of contract backlog at the end of fiscal 2005. - Common stockholders' equity grew to $1.81 billion, or $29.23 per common share, at October 31, 2006, a 9.1% increase from $1.66 billion, or $26.86 per common share, at October 31, 2005. - The Company ended the year with no balance outstanding on its $1.5 billion unsecured revolving credit facility and $43.6 million in cash on the balance sheet. The Company's average ratio of net recourse debt to capital for the year was 49.0%. - Management is providing an initial projection for 2007 earnings of between $1.50 to $2.00 per fully diluted common share on 16,000 to 18,000 home

deliveries, including 1,000 to 1,500 deliveries from unconsolidated joint ventures. [Emphasis in original.]

RED BANK, N.J., Dec 18, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported net income available to common stockholders of $138.9 million, or $2.14 per fully diluted common share, on $6.1 billion in total revenues for the full year ended October 31, 2006. In fiscal 2005, net income available to common stockholders was $469.1 million, or $7.16 per fully diluted common shares, on total revenues of $5.3 billion.

Homebuilding gross margin, before interest expense included in cost of sales, was 23.1% for fiscal 2006, a 330 basis point decline from an all-time record of 26.4% in the prior year. Total SG&A expense was 11.2% in fiscal 2006, compared with 10.0% in 2005. The Company's pretax income from Financial Services in fiscal 2006 rose 29% over 2005, to $31.0 million.

For the three-month period ended October 31, 2006, revenues were $1.7 billion, compared to $1.8 billion for the fourth quarter of fiscal 2005. After charges related to inventory impairments and land option write-offs, the Company reported a loss to common stockholders for the fiscal 2006 fourth quarter of $117.9 million, or $1.88 per fully diluted common share, compared to net income available to common stockholders of $165.4 million, or $2.53 per fully diluted common share, for the same period a year ago.

Comments From Management

"Overall we are disappointed with our results in fiscal 2006," commented Ara K. Hovnanian, President and Chief Executive Officer of the Company. "Although our deliveries and revenues increased over the record year of 2005, our gross margins fell 330 basis points -- as we cut pricing and offered incentives to improve affordability and remain competitive in a period of a slower housing demand."

"We did not anticipate the suddenness or magnitude of the fall in pricing that occurred this year in many of our communities. Our profitability and the pace of new home sales in our markets continues to be adversely impacted by high contract cancellation rates, increases in the number of resale listings and increases in the number of new homes available for sale," Mr. Hovnanian said. The Company's contract cancellation rate for the fourth quarter was 35%, compared with 25% in the fourth quarter of 2005 and a 33% rate reported in the third quarter of fiscal 2006.

"Conditions in some markets like Texas and North Carolina have been holding up better than those in our other markets. Despite healthy job growth, steadily increasing GDP, strong household formation, and low mortgage rates, most housing markets have been adversely impacted by heightened inventories of both new and existing homes for sale, along with shifting consumer sentiment which has kept many homebuyers on the sidelines waiting for an even better deal on a new home," Mr. Hovnanian added. "Over the past two months, we have started to see a glimmer of hopeful indicators that the markets may be stabilizing, including modest declines in resale inventories, improving consumer confidence, particularly in the University of Michigan survey which specifically tracks consumer attitudes toward buying homes, and healthy levels of buyer traffic at many of our communities. Thus, as we begin calendar 2007, we are cautiously optimistic that some of our more challenging markets will begin to experience decreasing cancellations and an improved sales pace. However, we may not get a good read on the market until the spring selling season begins in earnest. Until we experience an actual improvement in our pace of net contracts, we are continuing to manage assuming that current conditions remain with us for the foreseeable future."

"In the fourth quarter, we decided to walk away from $141 million in land deposits and predevelopment costs and took impairment charges of $174 million," said J. Larry Sorsby, Executive Vice President and Chief Financial Officer. "We successfully renegotiated a number of our land option contracts in the third and fourth quarters of fiscal

2006, and we have also walked away from our deposits and predevelopment costs on many option contracts where it did not make economic sense to proceed. Although it is painful to incur these write-offs, we believe it is much better than proceeding to build-out these communities at very low returns or losses over the coming years," Mr. Sorsby said. The Company ended the year with 427 active communities, which is below its prior estimate of 440 communities as a result of walking away from certain options and negotiating delays in the takedown on other communities. As of October 31, 2006, the Company had 60,714 lots held under option contracts and controlled a total of 94,618 lots, a 22% decline from the peak level controlled as of April 30, 2006.

"Although we are concerned with the uncertainty currently evident in housing markets, we are providing initial guidance for fiscal 2007, based on our standard practice of assuming that our sales pace and pricing in each of our communities remains as it is today and that market conditions do not deteriorate further," Mr. Sorsby continued. "On that basis, assuming that the economy remains reasonably healthy and mortgage rates remain stable, we are projecting fiscal 2007 earnings between $1.50 to $2.00 per fully diluted common share on 16,000 to 18,000 home deliveries, including 1,000 to 1,500 deliveries from unconsolidated joint ventures. For the first quarter of fiscal 2007 we anticipate modest earnings of between $0.05 and $0.10 per fully diluted share with earnings significantly weighted to the second half of the year. We believe that the overall U.S. housing market may hit the bottom in the first half of 2007. However, the housing market is likely to bounce along the bottom for several quarters before pricing and sales pace improves."

"As we go forward, we will continue to exercise discipline with regard to our balance sheet. We significantly slowed our land purchases during the second half of 2006," said Mr. Sorsby. "However, we have 60 more communities open at the start of fiscal 2007 than we had available for sale a year ago. While our inventories are expected to grow through the first two quarters of fiscal 2007, for the full year we expect the net change in inventories to be close to zero. We anticipate that our average ratio of net recourse debt to capitalization will average close to our target of 50% during fiscal 2007," Mr. Sorsby concluded.

In Closing

"We believe the quick reaction of the housing markets to set pricing for new homes at lower levels is a significant positive that should allow us to return to a more profitable business environment sooner," Mr. Hovnanian said. "We have been through downturns in the housing industry many times during our 47 years of operation. Each time, we have emerged as a stronger and better company, with an improved market share. We are confident that we will weather the current slowdown with a similar result. Despite incurring $336 million of land-related charges in 2006, our common stockholders' equity grew by 9.1%."

"We are working hard to manage our Company through this period conservatively and effectively. That has resulted in some tough decisions regarding our staffing and our subcontractor base. We believe that the steps we are taking today are necessary to maintain our competitive position in the face of the current conditions, and to position us for recovery as we move through fiscal 2007 and into 2008," Mr. Hovnanian concluded.

* * *

17. On March 8, 2007, Hovnanian issued a press release announcing the Company's first quarter 2007 financial results. The press release stated in part:

Hovnanian Enterprises Reports Fiscal 2007 First Quarter Results and Updates 2007 Projections

RED BANK, N.J., March 8 /PRNewswire-FirstCall/ –

Highlights for the Quarter Ended January 31, 2007

* Prior to the effect of charges related to the Company's Fort Myers-Cape Coral operations, pretax earnings for the first quarter were $26.7 million, equivalent to $0.20 of net earnings per fully diluted common share, exceeding earlier guidance of $0.05 to $0.10 per fully diluted common share.

* During the first quarter, the Company incurred $93 million of pretax charges related to the Company's Fort Myers-Cape Coral operations, due to a continued decline in sales pace and general market conditions, as well as increasing cancellation rates, during the quarter.

* After these charges, the Company reported a net loss of $57.3 million for the first quarter of fiscal 2007, or $0.91 per fully diluted common share, compared with earnings of $81.4 million, or $1.25 per fully diluted common share, in last year's first quarter.

* For the full fiscal year, prior to the effect of the charges related to the Fort Myers-Cape Coral operations, the Company now expects earnings between $1.10 and $1.50 per fully diluted common share on 16,000 to 17,200 home deliveries, including 1,000 to 1,400 deliveries from unconsolidated joint ventures. After these charges, the company expects earnings in the range of $0.00 to $0.40 per fully diluted common share.

* Total revenues decreased 8.8% to $1.2 billion in the first quarter of fiscal 2007. Excluding unconsolidated joint ventures, the Company delivered 3,266 homes with an aggregate sales value of $1.1 billion in the first quarter, down 15.1% compared to deliveries of 3,845 homes with an aggregate sales value of $1.2 billion in the first quarter of fiscal 2006. During the first quarter of fiscal 2007, the Company delivered 289 homes in unconsolidated joint ventures, compared with 585 homes in the first quarter of fiscal 2006.

* The number of net contracts for the first quarter of fiscal 2007, excluding unconsolidated joint ventures, declined 23.3% to 2,570 contracts. The dollar value of net contracts for the first quarter of

fiscal 2007, excluding unconsolidated joint ventures, decreased 21.6% to $0.9 billion, compared to $1.2 billion in last year's first quarter. Excluding the Fort Myers-Cape Coral operations, consolidated net contracts in the first quarter for the Company were down 2.3% when compared to last year's first quarter.

* Contract backlog as of January 31, 2007, excluding unconsolidated joint ventures, was 7,800 homes with a sales value of $2.7 billion, compared to a contract backlog of 12,096 homes with a $4.0 billion sales value at the end of the first quarter of fiscal 2006.

* The Company's ratio of net recourse debt to capital at the end of the first quarter was 54.8%.

Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported pretax earnings for the first quarter of $26.7 million, equivalent to $0.20 of net earnings per fully diluted common share, prior to the effect of charges related to the Company's Fort Myers-Cape Coral operations. Net of these charges, the Company reported a net loss of $57.3 million, after tax, or $0.91 per fully diluted common share.

Homebuilding gross margin, before interest expense included in cost of sales, was 18.0% for the first quarter of fiscal 2007, a 760 basis point decline from 25.6% in the prior year's first quarter. Total SG&A expense was 13.3% in the first quarter of fiscal 2007, compared with 12.8% in the first three months of 2006. The Company's pretax income from Financial Services in the first quarter of fiscal 2007 rose 47.9% over the same period in 2006, to $8.5 million.

The number of active selling communities on January 31, 2007, excluding unconsolidated joint ventures, was 436, an increase of 17.5% compared with 371 at the end of the same period last year. The Company's contract cancellation rate, excluding unconsolidated joint ventures, for the first quarter of fiscal 2007 was 36%, close to the cancellation rate of 35% experienced in the fourth quarter of fiscal 2006. Excluding the results from the Company's Fort Myers- Cape

Coral operations, the contract cancellation rate was 29% for the first quarter of 2007.

For the month of February 2007, the first month of the Company's second fiscal quarter, the dollar value and number of net contracts excluding unconsolidated joint ventures increased 4.3% and 2.6%, respectively, from February 2006. This marks the first positive monthly comparison since the market slowdown began.

Comments From Management

"Our contract pace in the first quarter held steady in most of our markets with the pace we achieved in the fourth quarter of last year, as adjusted for normal seasonal factors," commented Ara K. Hovnanian, President and Chief Executive Officer of the Company. "However, we lowered prices in some of our community locations in the beginning of the first quarter through additional incentives and discounts in order to maintain the pace of sales that we were targeting for those locations. Pricing has generally stabilized since that time. In addition, conditions in our Fort Myers-Cape Coral market continued to deteriorate considerably during our first quarter, which led to further impairments in the first quarter and contributed to lower expectations for deliveries, gross margin and earnings for the full year," Mr. Hovnanian stated.

"Our first quarter is always the slowest seasonal period for new contracts, so it is difficult to get a good feel for the strength of the market and what absorption rate to project for the rest of the year in each of our communities. Most of our markets have begun to show signs of stabilization, but we are not yet confident that we have found the bottom of this housing slowdown," Mr. Hovnanian said.

"Assuming that our sales pace and pricing in each of our communities remain at current levels, we are projecting fiscal 2007 earnings, prior to the effect of the charges from our Fort Myers-Cape Coral operations, between $1.10 and $1.50 per fully diluted common share on 16,000 to 17,200 home deliveries, including 1,000 to 1,400 deliveries from unconsolidated joint ventures. For the second quarter of fiscal 2007, we are anticipating a net loss between $0.05 and $0.20 per fully diluted common share. Our fiscal 2007 earnings will thus be significantly weighted to the fourth quarter," Mr. Hovnanian said.

"We are being extremely cautious in underwriting new land opportunities, and we continue to find it challenging to identify new land deals that meet our hurdle rate because land sellers have not lowered their expectations to match today's economic realities," said J. Larry Sorsby, Executive Vice President and Chief Financial Officer. "Our controlled land position continued to shrink during the January quarter as we delivered more homes than the number of lots we replaced through new option contracts and land acquisitions." As of January 31, 2007, the Company had 57,331 lots held under option contracts and controlled a total of 91,158 lots, a 24.2% decline from the end of the first quarter of fiscal 2006.

"Although our total lots controlled declined 3.7% in the first quarter, the number of open communities increased. Together with the normal seasonal construction of homes in backlog, this led to an increase of about 2% in the total book value of inventories during the three month period. For the full year we expect a modest increase in our investment in inventories, with positive cash flow from operations in the fourth quarter," said Mr. Sorsby. "At year end, we anticipate that our number of active selling communities will be approximately 465, compared to 427 at the end of fiscal 2006," Mr. Sorsby concluded.

In Closing

"Once the housing market bottoms out, we are not expecting a rapid recovery. Instead we expect sales to hold at a steady pace for several quarters. In the current environment, our contract pace is difficult to predict and it will likely vary based on individual market and community characteristics," said Mr. Hovnanian. "Although conditions in the housing market remain challenging, we have been through many downturns in the housing industry during almost five decades of homebuilding, and we are confident we will emerge from the current slowdown with a solid financial footing and positioned to capitalize on strategic opportunities," Mr. Hovnanian concluded.

* * *

18. On May 31, 2007, Hovnanian issued a press release announcing the Company's second quarter 2007 financial results. The press release stated in part:

Hovnanian Enterprises Reports Fiscal 2007 Second Quarter Results

Highlights for the Quarter Ended April 30, 2007

* The Company reported a pretax loss, prior to the effect of land related charges, of $7.1 million for the second quarter, equivalent to a $0.12 net loss per common share.

* During the second quarter, the Company incurred $34.4 million of pretax charges related to land impairment and write-offs of predevelopment costs and land deposits, due to a continued decline in sales pace and general market conditions in many of the Company's communities during the quarter.

* After all land-related charges, the Company reported a net loss of $30.7 million for the second quarter of fiscal 2007, or a loss of $0.49 per common share, compared with earnings of $101.0 million, or $1.55 per fully diluted common share, in last year's second quarter.

* Due to increased uncertainty of housing market conditions, management has withdrawn its prior estimates for 2007 earnings and will not provide updated earnings projections at this time. However, for the full 2007 fiscal year, the Company expects to deliver between 13,200 and 14,200 homes, excluding deliveries from unconsolidated joint ventures.

* Management has increased its focus on managing balance sheet

leverage and inventory investment levels. The Company is projecting positive cash flow in both the fourth quarter of fiscal 2007 and for fiscal 2008.

* Total revenues decreased 29.4% to $1.1 billion in the second quarter of fiscal 2007. Excluding unconsolidated joint ventures, the Company delivered 3,150 homes with an aggregate sales value of $1.1 billion in the second quarter, down 30.8% compared to deliveries of 4,555 homes with an aggregate sales value of $1.5 billion in the second quarter of fiscal 2006. During the second quarter of fiscal 2007, the Company delivered 275 homes through unconsolidated joint ventures, compared with 612 homes in the second quarter of fiscal 2006.

* The number of net contracts for the second quarter of fiscal 2007, excluding unconsolidated joint ventures, declined 21.4% to 3,116 contracts.

* Contract backlog as of April 30, 2007, excluding unconsolidated joint ventures, was 7,766 homes with a sales value of $2.7 billion, down 31.1% in dollars and down 33.0% in number of homes, compared to a contract backlog of 11,587 homes with a $4.0 billion sales value at the end of the second quarter of fiscal 2006.

RED BANK, N.J., May 31 /PRNewswire-FirstCall/ – Hovnanian Enterprises, Inc. (NYSE: HOV), a leading national homebuilder, reported a net loss of $30.7 million, after tax, or $0.49 per common share for the quarter ended April 30, 2007. For the six-month period ended April 30, 2007, revenues declined 20.2% to $2.3 billion, from $2.9 billion in the year earlier period. The Company reported a net loss of $88.0 million for the first half of 2007, or $1.40 per common share, compared to net income of $182.4 million, or $2.80 per fully diluted common share, in the same period a year ago.

Homebuilding gross margin, before interest expense included in cost of sales, was 16.3% for the second quarter of fiscal 2007, a 740 basis point decline from 23.7% in the prior year's second quarter. The

Company's pretax income from Financial Services in the second quarter of fiscal 2007 declined 6.3% over the same period in 2006, to $6.3 million.

The number of active selling communities on April 30, 2007, excluding unconsolidated joint ventures, was 437, an increase of 6% compared with 411 active communities at the end of the same period last year. The Company's contract cancellation rate, excluding unconsolidated joint ventures, for the second quarter of fiscal 2007 was 32%, a decrease from the rate of 36% reported in the first quarter of 2007.

Comments From Management

"We are frustrated to report that the housing market has continued to slip further in many locations in terms of both sales pace and sales prices," commented Ara K. Hovnanian, President and Chief Executive Officer of the Company. "The housing market weakened in the latter part of the second quarter and the slower conditions have continued into May. Lower prices offered to buyers to close homes during the quarter also led to a further reduction in margins and a net loss for the quarter."

"After a 3% increase in our February contracts over last year, the overall market fell off again, and our net contracts declined approximately 30% year over year through March and April," Mr. Hovnanian said. "We believe that much of this decline was a reaction to recent problems in the sub-prime mortgage market. While we have felt the sub-prime impact directly in the form of fewer potential homebuyers qualifying for a mortgage as lending standards have tightened, the more significant impact has been indirectly through a further pullback in home buyers' psychology toward making a purchase," Mr. Hovnanian stated.

"Given the increased uncertainty of housing market conditions, we have discontinued offering earnings guidance and we have increased our focus on improving our balance sheet and generating positive cash flow," Mr. Hovnanian said.

"Our use of options to control land allows us to walk away from land options that do not meet our financial hurdle rates and thus slow our investments during this current housing market slowdown," said J. Larry Sorsby, Executive Vice President and Chief Financial Officer. "As of April 30, 2007, we had 52,147 lots held under option contracts and controlled a total of 85,902 lots, a 29% decline from the end of the second quarter of fiscal 2006. To further enhance cash flow, we are evaluating walking away from additional land options," Mr. Sorsby stated.

"Despite a challenging environment, we remain focused on realistically pricing homes to achieve a reasonable balance of absorption and margin and modifying product offerings so that we can steadily work through our land inventory," Mr. Sorsby continued. "We are also focused on reevaluating and renegotiating land options and slowing down expenditures on land development to manage our inventory levels, generate cash flow, reduce leverage and improve our overall financial performance. As a result of delaying land take downs, walking away from additional communities, and delaying the opening of certain communities, we have lowered our expectations for the number of selling communities at the end of the year. While we are primarily focused on the balance sheet, we are also renegotiating with subcontractors and reducing our overheads," Mr. Sorsby stated.

"While conditions in many of our markets have recently deteriorated further, there are some bright spots in some of our markets where we outperformed our expectations during the second quarter," said Mr. Hovnanian. "For instance, our operations in San Diego and Minnesota, which had experienced substantial slowdowns over the past year or so, reported significant increases in sales per community on a year-over-year comparison for the second quarter. Although we are not confident that we've seen a bottom in these or any other markets yet, the improved pace of sales does give us confidence that over time our strategy to adjust the pricing on our homes is having its intended impact."

"An excess supply consisting primarily of existing homes remains in many of our markets," Mr. Hovnanian said. "Before the current housing market correction is over, the market needs to work through those inventories. Throughout our 48-year history, we have successfully navigated past down cycles, and we are confident that we will emerge from the current slowdown with a solid financial footing and positioned to capitalize on strategic opportunities in our markets," Mr. Hovnanian concluded.

* * *

<u>Disclosures at the End of the Class Period</u>

19. Then, on August 13, 2007, Hovnanian issued a press release announcing the Company's preliminary net contract and deliveries for the quarter ended July 31, 2007. Among other things, the Company reported that "[c]ancellations for the fiscal 2007 third quarter were 35% of gross contracts, compared to the cancellation rate of 33% for the third quarter of 2006." The August 13 press release also reported that the Company "expects to incur approximately $90 million to $110 million of pretax charges related to land impairment and write-offs of predevelopment costs and land deposits in the third quarter." The press release stated, in relevant part, as follows:

Hovnanian Enterprises Reports Preliminary Net Contracts and Deliveries for the Third Quarter of Fiscal 2007

RED BANK, N.J., Aug. 13 /PRNewswire-FirstCall/ -- Hovnanian

Enterprises, Inc. (NYSE: HOV) today announced preliminary net contracts and deliveries for the third quarter ended July 31, 2007. The Company delivered 3,179 homes during its third quarter, a decrease of 31% from the same quarter a year ago, excluding 329 homes in unconsolidated joint ventures.

Net contracts for the quarter were 2,539, a decrease of 24% from last year's third quarter, excluding 255 net contracts for unconsolidated joint ventures. Cancellations for the fiscal 2007 third quarter were 35% of gross contracts, compared to the cancellation rate of 33% for the third quarter of 2006. Contract backlog, as of July 31, 2007, excluding unconsolidated joint ventures, was 7,126 homes, a decrease of 31% from the same quarter a year ago.

As a result of continued deterioration in sales pace and pricing in certain communities since the end of the Company's second fiscal quarter, the Company also announced that it expects to incur approximately $90 million to $110 million of pretax charges related to land impairment and write-offs of predevelopment costs and land deposits in the third quarter.

These results are preliminary and the Company is still completing its review of financial results and impairment charges.

The Company expects that, it is in compliance with all of its debt covenants, as of July 31, 2007.

* * *

20. During the Class Period, the defendant: (i) knew but recklessly disregarded and failed to disclose to the investing public that the Company lacked requisite internal controls, and (ii) misrepresented the Company's business and future prospects. Thus, as a result of the increased volatility in the housing market, the Company had no reasonable basis to make projections about its

financial results. As a result, defendant's Class Period statements concerning Hovnanian's business and future prospects were, at minimum, reckless.

20. As a result of defendant's misleading statements and failure to disclose, Hovnanian stock traded at inflated levels during the Class Period. However, As a direct result of the market learning of defendant's wrongdoing, the price of Hovnanian shares declined and plaintiff and the class suffered a loss on their investment in Hovnanian.

LOSS CAUSATION

21. By misrepresenting its business, the defendant presented a misleading picture of Hovnanian's business and prospects. Thus, instead of truthfully disclosing during the Class Period that Hovnanian's business was not as healthy as represented, defendant failed to disclose the Company's financial position.

22. These material omissions caused and maintained the artificial inflation in Hovnanian's stock price throughout the Class Period and until the truth was revealed to the market.

23. Defendant's misleading statements and omissions had the intended effect and caused Hovnanian stock to trade at artificially inflated levels throughout the Class Period.

24. The public revelations regarding the truth about Hovnanian's business and prospects, when disclosed to the market, caused the value of the Company's securities to decline, thereby damaging plaintiffs and the Class

COUNT I

Breach of Fiduciary Duty

25. Plaintiff repeats and realleges each and every allegation described above as if fully set forth herein.

26. Defendant owed a fiduciary duty to the Class, as purchasers and owners of Hovnanian stock.

27. Defendant, by means of the foregoing misleading statements and omissions, breached his fiduciary duty to the Class.

COUNT II

Violations of §10(b) of the 1934 Act and Rule 10b-5 Promulgated Thereunder

28. Plaintiff repeats and realleges each and every allegation described above as if fully set forth herein.

29. During the Class Period, defendant disseminated or approved the false statements specified above, which he knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose

material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

30. Defendant violated §10(b) of the 1934 Act and Rule 10b-5 in that he:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Hovnanian common stock during the Class Period.

31. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Hovnanian common stock. Plaintiff and the Class would not have purchased Hovnanian common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendant's misleading statements.

COUNT III

Violation of §20(a) of the 1934 Act

32. Plaintiff repeats and realleges each and every allegation described above as if fully set forth herein

33. The defendant acted as a controlling person of Hovnanian within the meaning of §20(a) of the 1934 Act. By reason of his positions with the Company, defendant had the power and authority to cause Hovnanian to engage in the wrongful conduct complained of herein. By reason of such conduct, defendant is liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

34. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Hovnanian common stock during the Class Period (the "Class").

35. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Hovnanian has more than 47.5 million shares of stock outstanding, owned by hundreds if not thousands of persons.

36. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendant;

(b) whether defendant omitted and/or misrepresented material facts;

(c) whether defendant's statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendant knew or deliberately disregarded that his statements were false and misleading;

(e) whether the price of Hovnanian common stock was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

37. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendant's wrongful conduct.

38. Plaintiff will adequately protect the interests of the Class and has

retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

39. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Declaring this action to be a proper class action pursuant to Fed. R. Civ.P. 23;

B. Awarding plaintiff and the members of the Class damages, including interest;

C. Awarding plaintiff reasonable costs and attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

Dated: September 12, 2007

LEE HONG DEGERMAN KANG & SCHMADEKA

By: ______________________

Joon M. Khang (#188722)
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Attorneys for Plaintiff

SWORN CERTIFICATION OF PLAINTIFF
HOVNANIAN ENTERPRISES INC. SECURITIES LITIGATION

I, Herbert Mankofsky, certify that:

1. I have reviewed the Complaint and authorized its filing.

2. I did not purchase HOVNANIAN ENTERPRISES INC., the security that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.

3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.

4. My transactions in HOVNANIAN ENTERPRISES INC. during the Class Period set forth in the Complaint are as follows:

I bought 300 shares on 04/11/2007 at $ 30.80 per share

5. I have not served as a representative party on behalf of a class under this title during the last three years.

6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

☐ Check here if you are a current employee or former employee of the defendant Company.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: Sept. 6, 2007

Herbert Mankofsky
(Please Sign Your Name Above)
Herbert Mankofsky