

HOVNANIAN ENTERPRISES INC  
Form 10-Q/A  
December 20, 2006  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For quarterly period ended JULY 31, 2006 or

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	22-1851059
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

110 West Front Street, P.O. Box 500, Red Bank, NJ 07701

(Address of Principal Executive Offices) (Zip Code)

732-747-7800

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(Registrant's Telephone Number, Including Area Code)

Same (Former Name, Former Address and Former Fiscal Year, if Changed

Since Last Report)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 47,125,974 shares of Class A Common Stock and 14,652,552 shares of Class B Common Stock were outstanding as of September 1, 2006.

Explanatory Paragraph

This Form 10-Q/A for the quarterly period ended July 31, 2006 is being filed for the purpose of restating Note 3 in our Notes to Condensed Consolidated Financial Statements, which includes expanded reportable segment footnote disclosure related to our homebuilding operations. We have restated the accompanying Consolidated Financial Statements to revise our segment disclosures for all periods presented to show six reportable homebuilding segments. The restatement has no impact on our condensed consolidated balance sheets as of July 31, 2006 and October 31, 2005, or condensed consolidated statements of income and related income per common share amounts for the three and six months ended July 31, 2006 and 2005 or condensed consolidated statements of cash flows for the nine months ended July 31, 2006 and 2005. Conforming and other changes that are responsive to certain disclosure comments, primarily relating to segment reporting, received from the Division of Corporation Finance of the Securities and Exchange Commission, have been made to Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 and our Controls and Procedures Discussion in Item 4 of this Form 10-Q/A. See Note 3 in the Notes to Condensed Consolidated Financial Statements for further information relating to the restatement. This Form 10-Q/A has not been updated for events or information subsequent to the date of filing of the original Form 10-Q, except in connection with the foregoing.

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HOVNANIAN ENTERPRISES, INC.

FORM 10-Q/A

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands Except Share Amounts)

	July 31, 2006 (unaudited)	October 31, 2005
<b>ASSETS</b>		
Homebuilding:		
Cash and cash equivalents	\$ 36,787	\$ 201,641
Restricted cash	9,500	17,189
Inventories - At the lower of cost or fair value:		
Sold and unsold homes and lots under development	3,589,248	2,459,431
Land and land options held for future development or sale	501,059	595,806
Consolidated inventory not owned:		
Specific performance options	12,872	9,289
Variable interest entities	369,705	242,825
Other options	175,021	129,269
Total consolidated inventory not owned	557,598	381,383
Total Inventories	4,647,905	3,436,620
Investments in and advances to unconsolidated joint ventures	217,153	187,205
Receivables, deposits, and notes	103,102	125,388
Property, plant, and equipment net	111,542	96,891
Prepaid expenses and other assets	182,964	131,845
Goodwill	32,658	32,658
Definite life intangibles	200,525	249,506
Total homebuilding	5,542,136	4,478,943
Financial Services:		
Cash and cash equivalents	11,015	9,632
Restricted cash	1,285	1,037
Mortgage loans held for sale	174,747	211,248
Other assets	8,722	15,375
Total financial services	195,769	237,292
Income taxes receivable including deferred tax benefits	150,795	9,903
Total assets	\$ 5,888,700	\$ 4,726,138

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See notes to condensed consolidated financial statements (unaudited).

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands Except Share Amounts)

	July 31, 2006 (unaudited)	October 31, 2005
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Homebuilding:		
Nonrecourse land mortgages	\$ 33,046	\$ 48,673
Accounts payable and other liabilities	546,668	510,529
Customers' deposits	205,721	259,930
Nonrecourse mortgages secured by operating properties	23,852	24,339
Liabilities from inventory not owned	283,905	177,014
Total homebuilding	1,093,192	1,020,485
Financial services:		
Accounts payable and other liabilities	8,666	8,461
Mortgage warehouse line of credit	166,923	198,856
Total financial services	175,589	207,317
Notes payable:		
Revolving credit agreement	273,225	
Senior notes	1,649,510	1,098,739
Senior subordinated notes	400,000	400,000
Accrued interest	30,762	26,991
Total notes payable	2,353,497	1,525,730
Total liabilities	3,622,278	2,753,532
Minority interest from inventory not owned	208,542	180,170
Minority interest from consolidated joint ventures	3,563	1,079
Stockholders' equity:		
Preferred stock, \$.01 par value-authorized 100,000 shares; issued 5,600 shares at July 31, 2006 and at October 31, 2005 with a liquidation preference of \$140,000	135,299	135,389
Common stock, Class A, \$.01 par value-authorized 200,000,000 shares; issued 58,593,879 shares at July 31, 2006 and 57,976,455 shares at October 31, 2005 (including 11,494,720 shares at July 31, 2006 and 10,995,656 shares at October 31, 2005 held in Treasury)	586	580
Common stock, Class B, \$.01 par value (convertible to Class A at time of sale) authorized 30,000,000 shares; issued 15,360,360 shares at July 31, 2006 and 15,370,250 shares at October 31, 2005 (including 691,748 shares at July 31, 2006 and October 31, 2005 held in Treasury)	154	154
Paid in capital - common stock	247,488	236,001
Retained earnings	1,779,738	1,522,952

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Deferred compensation		(19,648)
Treasury stock - at cost	(108,948)	(84,071)
Total stockholders' equity	2,054,317	1,791,357
Total liabilities and stockholders' equity	\$ 5,888,700	\$ 4,726,138

See notes to condensed consolidated financial statements (unaudited).

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands Except Per Share Data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 31, 2006	2005	July 31, 2006	2005
Revenues:				
Homebuilding:				
Sale of homes	\$1,499,826	\$1,289,373	\$4,225,571	\$3,495,014
Land sales and other revenues	28,032	4,820	113,947	32,747
Total homebuilding	1,527,858	1,294,193	4,339,518	3,527,761
Financial services	22,661	18,533	63,114	48,995
Total revenues	1,550,519	1,312,726	4,402,632	3,576,756
Expenses:				
Homebuilding:				
Cost of sales, excluding interest	1,170,272	940,202	3,285,258	2,588,285
Cost of sales interest	25,601	22,332	62,453	58,563
Total cost of sales	1,195,873	962,534	3,347,711	2,646,848
Selling, general and administrative	154,050	116,388	441,137	319,680
Inventory impairment and land option deposit write-offs	12,274	1,354	20,978	3,352
Total homebuilding	1,362,197	1,080,276	3,809,826	2,969,880
Financial services	15,127	12,296	43,174	33,683
Corporate general and administrative	26,744	18,884	80,377	49,678
Other interest	649	1,149	2,169	1,843
Other operations	8,355	7,356	23,877	10,575
Intangible amortization	13,331	11,781	38,391	32,255
Total expenses	1,426,403	1,131,742	3,997,814	3,097,914
Income (loss) from unconsolidated joint ventures	(3,239)	13,907	13,833	22,482
Income before income taxes	120,877	194,891	418,651	501,324
State and federal income taxes:				
State	(3,897)	10,535	7,212	26,299
Federal	47,727	68,262	146,647	171,313

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Total taxes	43,830	78,797	153,859	197,612
Net income	77,047	116,094	264,792	303,712
Less: preferred stock dividends	2,668		8,006	
Net income available to common stockholders	\$ 74,379	\$ 116,094	\$ 256,786	\$ 303,712
Per share data:				
Basic:				
Income per common share	\$ 1.18	\$ 1.85	\$ 4.09	\$ 4.87
Weighted average number of common				