

K HOVNIANIAN ENTERPRISES INC  
Form 424B2  
June 06, 2006

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Filed pursuant to Rule 424(b)(2). A filing fee of \$32,100 calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with Senior Notes offered by means of this prospectus from the registration statement filed on June 5, 2006. The filing fee was calculated based upon the proposed aggregate maximum offering price of \$300,000,000. This paragraph shall be deemed to update the "Calculation of Registration Fee" table in the registration statement referred to in the second sentence above.

Filed Pursuant to Rule 424(b)(2)  
Registration Nos. 333-134721  
333-134721-01

**Prospectus**

## **K. Hovnanian Enterprises, Inc.**

***\$250,000,000***

***8<sup>5</sup>/<sub>8</sub>% Senior Notes due 2017***  
**guaranteed by**

**HOVNIANIAN ENTERPRISES, INC.**

*Interest payable January 15 and July 15*

**Issue price: 100%**

The Notes will bear interest at the rate of 8<sup>5</sup>/<sub>8</sub>% per year. Interest on the Notes is payable on January 15 and July 15 of each year, beginning on July 15, 2006. The Notes will mature on January 15, 2017. We may redeem some or all of the Notes at any time, at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to the date of redemption, if any, plus a "Make-Whole Amount" set forth in this prospectus. There is no sinking fund for, or mandatory redemption of, the Notes.

The Notes will be senior obligations of the issuer and will rank equally with all of the issuer's other unsecured senior indebtedness. The obligations under the Notes will be fully and unconditionally guaranteed by the issuer's parent company, Hovnanian Enterprises, Inc., and most of its restricted subsidiaries.

**Investing in the Notes involves risks. See "Risk factors" beginning on page 11.**

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<b>Price to public(1)</b>	<b>Underwriting discounts and commissions</b>	<b>Proceeds to us before expenses</b>
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Per Note		100.000%		0.925%		99.075%
Total	\$	250,000,000	\$	2,312,500	\$	247,687,500

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(1) Plus accrued interest, if any, from the date of original issuance.

The Notes have not been and will not be listed on any exchange.

The underwriters expect to deliver the Notes to purchasers on or about June 12, 2006.

The underwriters may elect to cover a short position in the Notes with the purchase of up to \$50,000,000 aggregate principal amount of additional Notes from us, if they reach an agreement with us to do so. This prospectus also relates to any such additional Notes. See "Underwriting" beginning on page 64.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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*Joint book-running managers*

**JPMorgan**

**Banc of America Securities LLC**

**Citigroup**

**Credit Suisse**

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*Co-managers*

**UBS Investment Bank**  
**RBS Greenwich Capital**  
**SunTrust Robinson Humphrey**  
 June 5, 2006

**Wachovia Securities**  
**BNP PARIBAS**

**PNC Capital Markets LLC**  
**KeyBanc Capital Markets**  
**Comerica Securities**

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by or on behalf of us and those documents incorporated by reference herein. We have not authorized anyone to provide you with additional or different information. This prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase the securities offered by this prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. The information in this prospectus and any document incorporated by reference may only be accurate on the date of such document.

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## Table of contents

	<u>Page</u>
Prospectus summary	1
Risk factors	11
Use of proceeds	19
Capitalization	20
Description of Senior Notes	21
United States federal income and estate tax consequences to non-U.S. holders	61
Underwriting	64
Legal matters	67
Experts	67
Available information	67
Incorporation of certain documents by reference	68

Except in the section under the caption "Description of Senior Notes" and unless the context otherwise requires, all references in this offering prospectus to:

"Issuer" or "K. Hovnianian" are to K. Hovnianian Enterprises, Inc., a California corporation;

"Hovnianian," "us," "we," "our" or "Company" are to Hovnianian Enterprises, Inc., a Delaware corporation, together with its consolidated subsidiaries, including K. Hovnianian; and

"7<sup>1</sup>/<sub>2</sub>% Notes" are to K. Hovnianian's 7<sup>1</sup>/<sub>2</sub>% Notes due 2016, which are guaranteed by Hovnianian and certain of its subsidiaries and which were issued on February 27, 2006.

## **Industry and market data**

We obtained the market and competitive position data used throughout this prospectus and the documents incorporated by reference in this prospectus from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the underwriters have independently verified such data and neither we nor the prospectus make any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources.

## **Alternative settlement cycle**

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this prospectus, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle being offered to as "T+5"). Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to that trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisor.

## **Forward-looking statements**

This prospectus and the documents incorporated by reference include "forward-looking statements" including, in particular, the statements about our plans, strategies and prospects. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. 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. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic and business conditions, (2) adverse weather conditions and natural disasters, (3) changes in market conditions, (4) changes in home prices and sales activity in the markets where we build homes, (5) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes and the environment, (6) fluctuations in interest rates and the availability of mortgage financing, (7) shortages in and price fluctuations of, raw materials and labor, (8) the availability and cost of suitable land and improved lots, (9) levels of competition, (10) availability of financing to us, (11) utility shortages and outages or rate fluctuations, (12) geopolitical risks, terrorist acts and other acts of war and (13) other factors described in detail in our Form 10-K for the year ended October 31, 2005 and in this prospectus under "Risk factors." All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained throughout this prospectus.

## Prospectus summary

*The following summary contains information about Hovnanian and the offering of the Notes. It does not contain all of the information that may be important to you in making a decision to purchase the Notes. For a more complete understanding of Hovnanian and the offering of the Notes, we urge you to read this entire prospectus carefully, including the "Risk factors" section and our financial statements and the notes to those statements incorporated by reference herein.*

## The company

We design, construct, market and sell single family detached homes, attached townhomes and condominiums, mid-rise and high-rise condominiums, urban infill and active adult homes in planned residential developments and are one of the nation's largest builders of residential homes. Founded in 1959 by Kevork Hovnanian, Hovnanian Enterprises, Inc. was incorporated in New Jersey in 1967 and reincorporated in Delaware in 1983. Since the incorporation of our predecessor company, including unconsolidated joint ventures, we have delivered in excess of 237,000 homes, including 4,430 homes in the first quarter of fiscal 2006. The Company consists of two operating groups: homebuilding and financial services. Our financial services group provides mortgage loans and title services to our homebuilding customers.

We are currently offering homes for sale in 411 communities, excluding unconsolidated joint ventures, in 41 markets in 18 states throughout the United States. We market and build homes for first-time buyers, first-time and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters. We offer a variety of home styles at base prices ranging from \$49,000 to \$1,988,000 with an average sales price, including options, of \$318,000 in fiscal 2005.

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.

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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 a new division 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's existing residential communities. We also entered the Fort Myers market through the acquisition of First Home Builders of Florida, and the Cleveland, Ohio market through the acquisition of Oster Homes.

2006 Expanded operations into the coastal markets of South Carolina and Georgia through our acquisition of CraftBuilt Homes.

Hovnanian markets and builds homes that are constructed in 32 of the nation's top 75 housing markets. We segregate our business geographically into four regions, which are the Northeast, Southeast, Southwest, and West.

Our geographical breakdown of markets by region is:

Northeast: New Jersey, Southern New York, Pennsylvania, Ohio, Michigan,

Minnesota, and Illinois

Southeast: Delaware, Georgia, Maryland, North Carolina, South Carolina, Virginia,

Washington, D.C., West Virginia, and Florida

Southwest: Arizona and Texas

West: California

We employed approximately 6,084 full-time associates as of October 31, 2005.

Our corporate offices are located at 110 West Front Street, Red Bank, New Jersey 07701, our telephone number is (732)747-7800, and our Internet website address is [www.khov.com](http://www.khov.com). Information on our website is not incorporated by reference into this prospectus.

## Recent developments

We 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. 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. 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. We were 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.

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. 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 when the market overhang is absorbed and buyer sentiment improves.

As many of our housing markets have continued to cool off from 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. 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.



**Hovnianian Enterprises, Inc. and Subsidiaries**  
**Condensed consolidated balance sheets**  
**(in thousands except share amounts)**

Assets	April 30, 2006	October 31, 2005
	(unaudited)	
<b>Homebuilding:</b>		
Cash and cash equivalents	\$ 47,525	\$ 201,641
Restricted cash	8,766	17,189
Inventories at the lower of cost or fair value:		
Sold and unsold homes and lots under development	3,306,101	2,459,431
Land and land options held for future development or sale	561,220	595,806
Consolidated inventory not owned:		
Specific performance options	10,696	9,289
Variable interest entities	381,178	242,825
Other options	136,530	129,269
<b>Total consolidated inventory not owned</b>	<b>528,404</b>	<b>381,383</b>
<b>Total Inventories</b>	<b>4,395,725</b>	<b>3,436,620</b>
Investments in and advances to unconsolidated joint ventures	211,556	187,205
Receivables, deposits, and notes	82,206	125,388
Property, plant, and equipment net	110,509	96,891
Prepaid expenses and other assets	165,642	125,662
Goodwill	32,658	32,658
Definite life intangibles	204,875	249,506
<b>Total homebuilding</b>	<b>5,259,462</b>	<b>4,472,760</b>
<b>Financial services:</b>		
Cash and cash equivalents	6,504	10,669
Mortgage loans held for sale	214,190	211,248
Other assets	6,482	15,375
<b>Total financial services</b>	<b>227,176</b>	<b>237,292</b>
Income taxes receivable including deferred tax benefits	96,650	9,903
<b>Total assets</b>	<b>\$ 5,583,288</b>	<b>\$ 4,719,955</b>

**Hovnianian Enterprises, Inc. and Subsidiaries**  
**Condensed consolidated balance sheets**  
**(in thousands except share amounts)**

Liabilities and stockholders' equity	April 30, 2006	October 31, 2005
(unaudited)		
<b>Homebuilding:</b>		
Nonrecourse land mortgages	\$ 38,117	\$ 48,673
Accounts payable and other liabilities	500,286	510,529
Customers' deposits	238,709	259,930
Nonrecourse mortgages secured by operating properties	24,017	24,339
Liabilities from inventory not owned	254,691	177,014
<b>Total homebuilding</b>	<b>1,055,820</b>	<b>1,020,485</b>
<b>Financial services:</b>		
Accounts payable and other liabilities	8,887	8,461
Mortgage warehouse line of credit	195,189	198,856
<b>Total financial services</b>	<b>204,076</b>	<b>207,317</b>
<b>Notes payable:</b>		
Revolving credit agreement	275,000	
Senior notes	1,399,247	1,098,739
Senior subordinated notes	400,000	400,000
Accrued interest	25,375	20,808
<b>Total notes payable</b>	<b>2,099,622</b>	<b>1,519,547</b>
<b>Total liabilities</b>	<b>3,359,518</b>	<b>2,747,349</b>
Minority interest from inventory not owned	243,339	180,170
Minority interest from consolidated joint ventures	3,241	1,079
<b>Stockholders' equity:</b>		
Preferred Stock, \$.01 par value-authorized 100,000 shares; issued 5,600 shares at April 30, 2006 and at October 31, 2005 with a liquidation preference of \$140,000.		
Common stock, Class A, \$.01 par value-authorized 200,000,000 shares; issued 58,378,455 shares at April 30, 2006 and 57,976,455 shares at October 31, 2005 (including 11,295,656 shares at April 30, 2006 and 10,995,656 shares at October 31, 2005 held in Treasury)	584	580
Common stock, Class B, \$.01 par value (convertible to Class A at time of sale) authorized 30,000,000 shares; issued 15,363,534 shares at April 30, 2006 and 15,370,250 shares at October 31, 2005 (including 691,748 shares at April 30, 2006 and October 31, 2005 held in Treasury)	154	154
Paid in capital	369,317	371,390
Retained earnings	1,705,359	1,522,952
Deferred compensation		(19,648)

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Treasury stock at cost	(98,224)	(84,071)
	<u>          </u>	<u>          </u>
Total stockholders' equity	1,977,190	1,791,357
	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	\$ 5,583,288	\$ 4,719,955
	<u>          </u>	<u>          </u>

**Hovnianian Enterprises, Inc. and Subsidiaries**  
**Condensed consolidated statements of income**  
**(in thousands except per share data)**  
**(unaudited)**

	Three Months Ended April 30,		Six Months Ended April 30,	
	2006	2005	2006	2005
<b>Revenues:</b>				
Homebuilding:				
Sale of homes	\$ 1,479,548	\$ 1,189,672	\$ 2,725,745	\$ 2,205,641
Land sales and other revenues	73,382	3,528	85,915	27,927
<b>Total homebuilding</b>	<b>1,552,930</b>	<b>1,193,200</b>	<b>2,811,660</b>	<b>2,233,568</b>
Financial services	21,191	16,269	40,453	30,462
<b>Total revenues</b>	<b>1,574,121</b>	<b>1,209,469</b>	<b>2,852,113</b>	<b>2,264,030</b>
<b>Expenses:</b>				
Homebuilding:				
Cost of sales, excluding interest	1,180,299	876,827	2,114,986	1,648,083
Cost of sales interest	20,283	18,464	36,852	36,231
<b>Total cost of sales</b>	<b>1,200,582</b>	<b>895,291</b>	<b>2,151,838</b>	<b>1,684,314</b>
Selling, general and administrative	151,853	106,704	287,087	203,292
Inventory impairment loss	5,595	1,500	8,704	1,998
<b>Total homebuilding</b>	<b>1,358,030</b>	<b>1,003,495</b>	<b>2,447,629</b>	<b>1,889,604</b>
Financial services	14,517	11,467	28,047	21,387
Corporate general and administrative	25,911	14,916	53,633	30,794
Other interest	700	539	1,520	694
Other operations	8,521	1,279	15,522	3,219
Intangible amortization	13,391	10,386	25,060	20,474
<b>Total expenses</b>	<b>1,421,070</b>	<b>1,042,082</b>	<b>2,571,411</b>	<b>1,966,172</b>
Income from unconsolidated joint ventures	9,497	7,140	17,072	8,575
<b>Income before income taxes</b>	<b>162,548</b>	<b>174,527</b>	<b>297,774</b>	<b>306,433</b>
State and federal income taxes:				
State	6,235	10,318	11,109	15,764
Federal	52,664	58,073	98,920	103,051
<b>Total taxes</b>	<b>58,899</b>	<b>68,391</b>	<b>110,029</b>	<b>118,815</b>
Net income	103,649	106,136	187,745	187,618
Less: Preferred Stock dividends	2,669		5,338	



**Communities under development  
three months ended April 30, 2006  
(dollars in thousands except avg. price)  
(unaudited)**

		Net Contracts(1) Three Months Ended April 30,			Deliveries(2) Three Months Ended April 30,			Contract Backlog April 30,		
		2006	2005	% Change	2006	2005	% Change	2006	2005	% Change
<b>NorthEast Region</b>										
<b>(3)</b>	Homes	761	734	3.7%	646	725	(10.9)%	2,275	2,100	8.3%
	Dollars	277,581	253,736	9.4%	232,952	267,245	(12.8)%	869,734	732,039	18.8%
	Avg. Price	364,758	345,689	5.5%	360,607	368,614	(2.2)%	382,301	348,590	9.7%
<b>SouthEast Region</b>										
<b>(4)</b>	Homes	1,248	1,518	(17.8)%	1,807	1,118	61.6%	6,743	3,236	108.4%
	Dollars	499,535	538,285	(7.2)%	562,214	334,900	67.9%	2,199,767	1,144,365	92.2%
	Avg. Price	400,268	354,601	12.9%	311,131	299,553	3.9%	326,230	353,636	(7.7)%
<b>SouthWest Region</b>										
	Homes	1,235	1,222	1.1%	1,054	900	17.1%	1,406	1,428	(1.5)%
	Dollars	265,790	235,487	12.9%	232,289	164,133	41.5%	315,309	272,554	15.7%
	Avg. Price	215,215	192,706	11.7%	220,388	182,370	20.8%	224,259	190,864	17.5%
<b>West Region</b>										
	Homes	718	1,216	(41.0)%	1,048	1,005	4.3%	1,163	2,072	(43.9)%
	Dollars	343,303	506,363	(32.2)%	452,093	423,394	6.8%	587,465	862,048	(31.9)%
	Avg. Price	478,138	416,417	14.8%	431,386	421,288	2.4%	505,129	416,046	21.4%
<b>Consolidated Total</b>										
	Homes	3,962	4,690	(15.5)%	4,555	3,748	21.5%	11,587	8,836	31.1%
	Dollars	1,386,209	1,533,871	(9.6)%	1,479,548	1,189,672	24.4%	3,972,275	3,011,006	31.9%
	Avg. Price	349,876	327,051	7.0%	324,818	317,415	2.3%	342,822	340,766	0.6%
<b>Unconsolidated</b>										
<b>Joint Ventures (5)</b>										
	Homes	380	638	(40.4)%	612	351	74.4%	1,797	2,150	(16.4)%
	Dollars	129,757	320,437	(59.5)%	244,402	123,732	97.5%	810,115	879,482	(7.9)%
	Avg. Price	341,467	502,252	(32.0)%	399,350	352,513	13.3%	450,815	409,061	10.2%
<b>Total</b>										
	Homes	4,342	5,328	(18.5)%	5,167	4,099	26.1%	13,384	10,986	21.8%
	Dollars	1,515,966	1,854,308	(18.2)%	1,723,950	1,313,404	31.3%	4,782,390	3,890,488	22.9%
	Avg. Price	349,140	348,031	0.3%	333,646	320,421	4.1%	357,321	354,131	0.9%

- (1) Net contracts are defined as new contracts signed during the period for the purchase of homes, less cancellations of prior contracts.
- (2) Deliveries include extras.
- (3) The number and the dollar amount of net contracts in the Northeast in the 2006 second quarter include the effect of the Oster Homes acquisition, which closed in August 2005.
- (4) The number and the dollar amount of net contracts in the Southeast in the 2006 second quarter include the effects of the Cambridge Homes, First Home Builders of Florida and CraftBuilt Homes acquisitions, which closed in March 2005, August 2005 and April 2006, respectively.
- (5) The number and the dollar amount of net contracts in Unconsolidated Joint Ventures in the 2006 second quarter include the effect of the Town & Country Homes acquisition, which closed in March 2005.

## The offering

Issuer	K. Hovnanian Enterprises, Inc.
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Securities offered	We are offering \$250.0 million aggregat
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