

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

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

For quarterly period ended JANUARY 31, 2001 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 or (I.R.S. Employer
incorporation or organization) Identification No.)

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

732-747-7800
(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 Sections 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 20,087,921 Class A Common Shares and 7,586,396 Class B Common Shares were outstanding as of March 9, 2001.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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

ASSETS	(unaudited) January 31, 2001	October 31, 2000
	-----	-----
Homebuilding:		
Cash and cash equivalents.....	\$ 33,408	\$ 40,131
	-----	-----
Inventories - At the lower of cost or fair value:		
Sold and unsold homes and lots under development.....	672,310	525,116
Land and land options held for future development or sale.....	92,802	89,867
	-----	-----
Total Inventories.....	765,112	614,983
	-----	-----
Receivables, deposits, and notes.....	54,927	36,190
	-----	-----
Property, plant, and equipment - net.....	35,414	35,594
	-----	-----
Senior Residential rental properties - net.....	10,179	10,276
	-----	-----
Prepaid expenses and other assets.....	88,884	64,897
	-----	-----
Total Homebuilding.....	987,924	802,071
	-----	-----
Financial Services:		
Cash and cash equivalents.....	2,684	3,122
Mortgage loans held for sale.....	42,857	61,860
Other assets.....	1,617	2,145
	-----	-----
Total Financial Services.....	47,158	67,127
	-----	-----
Collateralized Mortgage Financing:		
Collateral for bonds payable.....	4,000	4,145
Other assets.....	192	198
	-----	-----
Total Collateralized Mortgage Financing.....	4,192	4,343
	-----	-----
Income Taxes Receivable - Including deferred tax benefits.....	1,291	
	-----	-----
Total Assets.....	\$1,040,565	\$873,541
	=====	=====

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	(unaudited) January 31, 2001	October 31, 2000
	-----	-----
Homebuilding:		
Nonrecourse land mortgages.....	\$ 16,402	\$ 18,166
Accounts payable and other liabilities.....	95,836	82,205
Customers' deposits.....	35,930	31,475
Nonrecourse mortgages secured by operating properties.....	3,529	3,554

Total Homebuilding.....	151,697	135,400
Financial Services:		
Accounts payable and other liabilities.....	1,591	2,078
Mortgage warehouse line of credit.....	38,041	56,486
Total Financial Services.....	39,632	58,564
Collateralized Mortgage Financing:		
Bonds collateralized by mortgages receivable.....	2,878	3,007
Total Collateralized Mortgage Financing.....	2,878	3,007
Notes Payable:		
Revolving credit agreement.....	119,775	
Senior notes.....	296,518	296,430
Subordinated notes.....	100,000	100,000
Accrued interest.....	11,074	12,709
Total Notes Payable.....	527,367	409,139
Income Taxes Payable.....		4,072
Total Liabilities.....	721,574	610,182
Stockholders' Equity:		
Preferred Stock, \$.01 par value-authorized 100,000 shares; none issued		
Common Stock, Class A, \$.01 par value-authorized 87,000,000 shares; issued 23,820,893 shares (including 3,736,921 shares in January 2001 and October 2000 held in Treasury).....	237	173
Common Stock, Class B, \$.01 par value-authorized 13,000,000 shares; issued 7,932,219 shares (including 345,874 shares held in Treasury).....	79	79
Paid in Capital.....	94,930	46,086
Retained Earnings.....	253,343	246,420
Deferred Compensation.....	(266)	
Treasury Stock - at cost.....	(29,332)	(29,399)
Total Stockholders' Equity.....	318,991	263,359
Total Liabilities and Stockholders' Equity.....	\$1,040,565	\$873,541

See notes to consolidated financial statements.

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

	Three Months Ended	
	January 31,	
	2001	2000
Revenues:		
Homebuilding:		
Sale of homes.....	\$283,405	\$250,118
Land sales and other revenues.....	5,086	2,065
Total Homebuilding.....	288,491	252,183
Financial Services.....	5,440	4,851
Collateralized Mortgage Financing....	98	115
Total Revenues.....	294,029	257,149
Expenses:		
Homebuilding:		
Cost of sales.....	226,576	205,503
Selling, general and administrative	28,225	24,928
Inventory impairment loss.....	174	
Total Homebuilding.....	254,975	230,431
Financial Services.....	3,697	5,305
Collateralized Mortgage Financing....	83	98
Corporate General and Administration.	9,878	6,874
Interest.....	9,505	7,868

Other Operations.....	1,851	1,797
Restructuring Charges.....	2,480	
Total Expenses.....	282,469	252,373
Income Before Income Taxes.....	11,560	4,776
State and Federal Income Taxes:		
State.....	399	155
Federal.....	4,238	1,169
Total Taxes.....	4,637	1,324
Net Income.....	\$ 6,923	\$ 3,452
Per Share Data:		
Basic:		
Income per common share.....	\$ 0.31	\$ 0.15
Weighted average number of common shares outstanding.....	22,286	22,327
Assuming dilution:		
Income per common share.....	\$ 0.30	\$ 0.15
Weighted average number of common shares outstanding.....	22,732	22,413

See notes to consolidated financial statements.

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

	A Common Stock		B Common Stock		Paid-In Capital	Retained Earnings	Deferred Comp	Treasury Stock	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount					
Balance, October 31, 2000.	13,572,448	\$173	7,633,029	\$79	\$46,086	\$246,420	\$	\$(29,399)	\$263,359
Acquisitions.....	6,352,900	64			48,161				48,225
Sale of common stock under employee stock option plan.....	65,000				367				367
Stock bonus plan.....	46,940				316				316
Conversion of Class B to Class A Common Stock....	46,684		(46,684)						
Deferred compensation.....							(266)		(266)
Treasury stock purchases adjustment.....								67	67
Net Income.....						6,923			6,923
Balance, January 31, 2001 (unaudited)	20,083,972	\$237	7,586,345	\$79	\$94,930	\$253,343	\$ (266)	\$(29,332)	\$318,991

See notes to consolidated financial statements.

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

	Three Months Ended January 31,	
	2001	2000
Cash Flows From Operating Activities:		
Net Income.....	\$ 6,923	\$ 3,452
Adjustments to reconcile net income to net cash Provided by (used in) operating activities:		
Depreciation.....	1,965	1,591
Amortization of goodwill.....	669	
(Gain) on sale and retirement of property and assets.....	(40)	(209)

Deferred income taxes.....	145	(281)
Impairment losses.....	174	
Decrease (increase) in assets:		
Mortgage notes receivable.....	19,205	11,116
Receivables, prepaids and other assets.....	(22,211)	(13,091)
Inventories.....	(9,514)	(34,275)
Increase (decrease) in liabilities:		
State and Federal income taxes.....	(544)	(2,778)
Customers' deposits.....	932	5,395
Interest and other accrued liabilities.....	(7,587)	(5,833)
Post development completion costs.....	1,964	993
Accounts payable.....	(6,642)	(1,907)
	-----	-----
Net cash used in operating activities.....	(14,561)	(35,827)
	-----	-----
Cash Flows From Investing Activities:		
Net proceeds from sale of property and assets.....	7	318
Purchase of property, equipment and other fixed assets.....	(1,073)	(8,997)
Acquisition of homebuilding companies.....	(36,936)	(119)
Investment in and advances to unconsolidated affiliates.....	(12)	(1)
	-----	-----
Net cash used in investing activities.....	(38,014)	(8,799)
	-----	-----
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes.....	480,328	336,378
Principal payments on mortgages and notes.....	(435,664)	(298,263)
Purchase of treasury stock.....	67	(1,176)
Proceeds from sale of stock.....	683	
	-----	-----
Net cash provided by financing activities.....	45,414	36,939
	-----	-----
Net (Decrease) In Cash and Cash Equivalents.....	(7,161)	(7,687)
Cash and Cash Equivalents and Balance, Beginning Of Period.....	43,253	19,365
	-----	-----
Cash and Cash Equivalent and Balance, End Of Period...	\$ 36,092	\$ 11,678
	=====	=====

See notes to consolidated financial statements.

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. The consolidated financial statements, except for the October 31, 2000 consolidated balance sheet, have been prepared without audit. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Interest costs incurred, expensed and capitalized were:

	Three Months Ended January 31,	
	2001	2000
	-----	-----
	(Dollars in Thousands)	
Interest Capitalized at		
Beginning of Period.....	\$ 25,694	\$ 21,966
Plus Acquired Entity Interest.	3,604	
Plus Interest Incurred(1)(3)..	11,572	8,023
Less Interest Expensed(3).....	9,505	7,868
	-----	-----
Interest Capitalized at		
End of Period(2)(3).....	\$ 31,365	\$ 22,121
	=====	=====

- (1) Data does not include interest incurred by our mortgage and finance subsidiaries.
- (2) Data does not include a reduction for depreciation.
- (3) Represents acquisition interest for construction, land and development costs which is charged to interest expense when homes are delivered and when land is not under active development.

3. Homebuilding accumulated depreciation at January 31, 2001 and October 31, 2000 amounted to \$24,868,000 and \$22,164,000, respectively. Senior residential rental property accumulated depreciation at January 31, 2001 and October 31, 2000 amounted to \$2,393,000 and \$2,294,000, respectively.

4. In accordance with "Financial Accounting Standards No. 121 ("FAS 121") "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to Be Disposed of", we record impairment losses on inventories related to communities under development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. In addition, from time to time, we will write off certain residential land options including approval, engineering and capitalized interest costs for land management decided not to purchase. We wrote off such costs in the amount of \$63,000 in New Jersey and \$111,000 in Metro D. C. during the three months ended January 31, 2001. Residential inventory FAS 121 impairment losses and option write offs are reported in the Consolidated Statements of Income as "Homebuilding-Inventory Impairment Loss."

5. We are involved from time to time in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on us. As of January 31, 2001 and October 31, 2000, respectively, we are obligated under various performance letters of credit amounting to \$5,452,000 and \$4,284,000.

6. Our credit facility was amended as of February 22, 2000. Pursuant to the Amendment, our credit line increased to \$375,000,000 and was extended through July 2003. Interest is payable monthly and at various rates of either the prime rate plus .25% or Libor plus 1.70%.

7. On January 23, 2001 we merged with Washington Homes, Inc. for a total purchase price of \$87.4 million, of which \$38.5 million was paid in cash and 6,352,900 shares of our Class A Common Stock were issued. At the date of acquisition we loaned Washington Homes, Inc. approximately \$57,000,000 to pay off their third party debt.

The merger with Washington Homes, Inc. was accounted for as a purchase with the results of operations of the merged entity included in our consolidated financial statements as of the date of the merger. The purchase price was allocated based on estimated fair value at the date of the merger. Such allocation is preliminary and is pending management's assessment of the deferred tax assets and liabilities acquired. An intangible asset equal to the excess purchase price over the fair value of the net assets of \$12,794,000 is recorded in prepaid expenses and other assets on the consolidated balance sheet. This amount is being amortized on a straight line basis over a period of ten years.

The following unaudited pro forma financial data for the three months ended January 31, 2001 and 2000 has been prepared as if the merger with Washington Homes, Inc. on January 23, 2001 had occurred on November 1, 1999. Unaudited pro forma financial data is presented for information purposes only and may not be indicative of the actual amounts of the Company had the events occurred on the dates listed above, nor does it purport to represent future periods (in thousands).

	Three Months Ended January 31,	
	2001	2000
Revenues.....	\$363,767	\$350,452
Expenses.....	351,704	342,774
Income Taxes.....	4,095	2,568
Net Income.....	\$ 7,968	\$ 5,110
Diluted Net Income Per Common Share.....	\$ 0.28	\$ 0.18

8. Restructuring Charges - Restructuring charges are estimated expenses associated with the merger of our operations with those of Washington Homes, Inc. as a result of the merger on January 23, 2001. Under our merger plan, administration offices in Maryland, Virginia, and North Carolina will be either closed, relocated, or combined. The merger of administration offices is expected to be completed by July 31, 2001. Expenses were accrued for salaries, severance and outplacement costs for the involuntary termination of associates, costs to close and/or relocate existing administrative offices, and lost rent and leasehold improvements. We estimate that approximately 58 associates will be terminated. We have accrued approximately \$1.7 million to cover termination and related costs. Associates being terminated are primarily administrative. In addition, we accrued approximately \$0.8 million to cover closing and/or relocating various administrative offices in these three states. At January 31, 2001 no costs have been charged against the above accrued liabilities.

9. Hovnanian Enterprises, Inc., the parent company (the "Parent") is the issuer of publicly traded common stock. One of its wholly owned

subsidiaries, K. Hovnanian Enterprises, Inc., (the "Subsidiary Issuer") was the issuer of certain Senior Notes on May 4, 1999 and October 2, 2000.

The Subsidiary Issuer acts as a finance and management entity that as of January 31, 2001 had issued and outstanding approximately \$100,000,000 subordinated notes, \$300,000,000 senior notes, and a revolving credit agreement with an outstanding balance of \$119,775,000. The subordinated notes, senior notes, and the revolving credit agreement are fully and unconditionally guaranteed by the Parent.

Each of the wholly owned subsidiaries of the Parent (collectively the "Guarantor Subsidiaries"), with the exception of four subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, a mortgage lending subsidiary, a subsidiary holding and licensing the "K. Hovnanian" trade name, and a subsidiary engaged in homebuilding activity in Poland (collectively the "Non-guarantor Subsidiaries"), have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under the senior notes and the revolving credit agreement of the Subsidiary Issuer.

In lieu of providing separate audited financial statements for the Guarantor Subsidiaries we have included the accompanying consolidated condensed financial statements. Management does not believe that separate financial statements of the Guarantor Subsidiaries are material to investors. Therefore, separate financial statements and other disclosures concerning the Guarantor Subsidiaries are not presented.

The following consolidating condensed financial information present the results of operations, financial position, and cash flows of (i) the Parent, (ii) the Subsidiary Issuer, (iii) the Guarantor Subsidiaries of the Parent, (iv) the Non-guarantor Subsidiaries of the Parent, and (v) the eliminations to arrive at the information for Hovnanian Enterprises, Inc. on a consolidated basis.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
 CONSOLIDATING CONDENSED BALANCE SHEET
 JANUARY 31, 2001
 (Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Homebuilding.....	\$ 9	\$ 54,400	\$ 924,715	\$ 8,800	\$	\$ 987,924
Financial Services and CMO.....			888	50,462		51,350
Income Taxes (Payables)Receivables.	(3,951)	(4,257)	11,559	(2,060)		1,291
Investments in and amounts due to and from consolidated subsidiaries.....	322,933	484,274	(748,000)	3,434	(62,641)	
Total Assets.....	\$318,991	\$ 534,417	\$ 189,162	\$ 60,636	\$ (62,641)	\$1,040,565

LIABILITIES AND STOCKHOLDERS' EQUITY

Homebuilding.....	\$	\$ 6,902	\$ 144,003	\$ 792	\$	\$ 151,697
Financial Services and CMO.....			355	42,155		42,510
Notes Payable.....		527,308	59			527,367
Stockholders' Equity.....	318,991	207	44,745	17,689	(62,641)	318,991
Total Liabilities and Stockholders' Equity.....	\$318,991	\$ 534,417	\$ 189,162	\$ 60,636	\$ (62,641)	\$1,040,565

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 CONSOLIDATING CONDENSED BALANCE SHEET
 OCTOBER 31, 2000
 (Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Homebuilding.....	\$ (63)	\$ 76,648	\$ 717,484	\$ 8,002	\$	\$ 802,071
Financial Services and CMO.....			994	70,476		71,470
Income Taxes (Payables)Receivables.	(4,585)	(5,873)	12,567	(2,109)		
Investments in and amounts due to and from consolidated						

subsidiaries.....	268,007	353,115	(473,872)	577	(147,827)	
Total Assets.....	\$263,359	\$ 423,890	\$ 257,173	\$ 76,946	\$(147,827)	\$ 873,541

Liabilities						
Homebuilding.....	\$	\$ 11,533	\$ 122,807	\$ 1,060	\$	\$ 135,400
Financial Services and CMO.....			457	61,114		61,571
Notes Payable.....		409,041	98			409,139
Income Taxes Payable.....			4,072			4,072
Stockholders' Equity.....	263,359	3,316	129,739	14,772	(147,827)	263,359

Total Liabilities and Stockholders' Equity.....	\$263,359	\$ 423,890	\$ 257,173	\$ 76,946	\$(147,827)	\$ 873,541
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HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2001
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

Revenues:						
Homebuilding.....	\$	\$ 65	\$ 287,122	\$ 7,516	\$ (6,212)	\$ 288,491
Financial Services and CMO.....			2,018	3,520		5,538
Intercompany Charges.....		30,410	(1,954)		(28,456)	
Equity In Pretax Income of Consolidated Subsidiaries.....	11,560				(11,560)	
Total Revenues.....	11,560	30,475	287,186	11,036	(46,228)	294,029

Expenses:						
Homebuilding.....		29,913	283,926	1,254	(36,404)	278,689
Financial Services and CMO.....			1,288	2,589	(97)	3,780
Total Expenses.....		29,913	285,214	3,843	(36,501)	282,469

Income Before Income Taxes.....	11,560	562	1,972	7,193	(9,727)	11,560
State and Federal Income Taxes.....	4,637	352	70	2,814	(3,236)	4,637
Net Income.....	\$ 6,923	\$ 210	\$ 1,902	\$ 4,379	\$ (6,491)	\$ 6,923
=====						

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2000
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

Revenues:						
Homebuilding.....	\$	\$ 154	\$ 251,406	\$ 2,092	\$ (1,469)	\$ 252,183
Financial Services and CMO.....			1,750	3,216		4,966
Intercompany Charges.....		23,046	2,448		(25,494)	
Equity In Pretax Income of Consolidated Subsidiaries.....	4,776				(4,776)	
Total Revenues.....	4,776	23,200	255,604	5,308	(31,739)	257,149

Expenses:						
Homebuilding.....		23,058	241,375	454	(17,917)	246,970
Financial Services and CMO.....			1,374	4,188	(159)	5,403
Total Expenses.....		23,058	242,749	4,642	(18,076)	252,373

Income Before Income Taxes.....	4,776	142	12,855	666	(13,663)	4,776
State and Federal Income Taxes.....	1,324	35	4,166	230	(4,431)	1,324
Net Income.....	\$ 3,452	\$ 107	\$ 8,689	\$ 436	\$ (9,232)	\$ 3,452
=====						

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2001
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimin- ations	Consol- idated
Cash Flows From Operating Activities:						
Net Income.....	\$ 6,923	\$ 210	\$ 1,902	\$ 4,379	\$ (6,491)	\$ 6,923
Adjustments to reconcile net income to net cash provided by (used in) operating activities...	93,226	35,300	(173,139)	16,639	6,491	(21,483)
Net Cash Provided By (Used In) Operating Activities.....	100,149	35,510	(171,237)	21,018		(14,560)
Net Cash Provided by (Used In) Investing Activities.....	(45,218)	(17,819)	25,023			(38,014)
Net Cash Provided By(Used In) Financing Activities.....	67	119,863	(55,942)	(18,574)		45,414
Intercompany Investing and Financing Activities - Net.....	(54,926)	(161,569)	219,352	(2,857)		
Net Increase (Decrease) In Cash and Cash Equivalents.....	72	(24,015)	17,196	(413)		(7,160)
Cash and Cash Equivalents Balance, Beginning of Period.....	(63)	17,629	22,506	3,181		43,253
Cash and Cash Equivalents Balance, End of Period.....	\$ 9	\$ (6,386)	\$ 39,702	\$ 2,768	\$	\$ 36,093

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2000
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimin- ations	Consol- idated
Cash Flows From Operating Activities:						
Net Income.....	\$ 3,452	\$ 107	\$ 8,689	\$ 436	\$ (9,232)	\$ 3,452
Adjustments to reconcile net income to net cash provided by (used in) operating activities...	16,257	170	(80,276)	15,338	9,232	(39,279)
Net Cash Provided By (Used In) Operating Activities.....	19,709	277	(71,587)	15,774		(35,827)
Net Cash Provided by (Used In) Investing Activities.....		(8,327)	(470)	(2)		(8,799)
Net Cash Provided By(Used In) Financing Activities.....	(1,176)	48,350	2,552	(12,787)		36,939
Intercompany Investing and Financing Activities - Net.....	(18,487)	(34,743)	33,067	(2,883)		
Net Increase (Decrease) In Cash and Cash Equivalents.....	46	5,557	(13,392)	102		(7,687)
Cash and Cash Equivalents Balance, Beginning of Period.....	46	(5,395)	24,608	106		19,365
Cash and Cash Equivalents Balance, End of Period.....	\$ 92	\$ 162	\$ 11,216	\$ 208	\$	\$ 11,678

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

Our cash uses during the three months ended January 31, 2001 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, interest, and the merger with Washington Homes, Inc. We provided for our cash requirements from housing and land sales, the revolving credit facility, financial service revenues, and other revenues. We believe that these sources of cash are sufficient to finance our working capital requirements and other needs.

In March 2000 the Board of Directors increased the stock repurchase program to purchase up to 4 million shares of Class A Common Stock. This authorization expired on December 31, 2000 and is in the process of being revised. As of January 31, 2001, 3,391,047 shares were repurchased under this program.

Our homebuilding bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to \$375,000,000 (the "Revolving Credit Facility") through July 2003. Interest is payable monthly and at various rates of either the prime rate plus .25% or Libor plus 1.70%. We believe that we will be able either to extend the Agreement beyond July 2003 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. We are currently in compliance and intend to maintain compliance with the covenants under the Agreement. As of January 31, 2001, borrowings under the Agreement were \$119,775,000.

The subordinated indebtedness issued by us and outstanding as of January 31, 2001 was \$100,000,000 9 3/4% Subordinated Notes due June 2005. The senior indebtedness issued by us and outstanding as of January 31, 2001 was \$150,000,000 10 1/2% Senior Notes due October 2007 and \$150,000,000 9 1/8% Senior Notes due May 2009.

Our mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of our subsidiaries. As of January 31, 2001, the aggregate principal amount of all such borrowings was \$38,041,000.

Total inventory increased \$150,129,000 during the three months ended January 31, 2001. The increase in inventory was primarily due to the merger with Washington Homes, Inc. In addition inventory levels increased in most of our housing markets. Substantially all homes under construction or completed and included in inventory at January 31, 2001 are expected to be closed during the next twelve months. Most inventory completed or under development is financed through our line of credit, and senior and subordinated indebtedness.

The following table summarizes housing lots included in our total residential real estate:

	Active Communities	Active Selling Lots	Contracted Not Delivered	Active Lots Available	Proposed Developable Lots	Grand Total Lots Available
January 31, 2001:						
Northeast Region..	28	4,598	1,201	3,397	10,569	13,966
North Carolina....	65	5,117	570	4,547	2,351	6,898
Metro D.C.....	37	3,306	788	2,518	4,965	7,483
California.....	13	1,909	227	1,682	576	2,258
Texas.....	40	1,543	280	1,263	684	1,947
Mid South.....	21	1,631	106	1,525	160	1,685
Other.....	1	138	58	80	2,374	2,454
	205	18,242	3,230	15,012	21,679	36,691
Owned.....		8,244	2,742	5,502	4,177	9,679
Optioned.....		9,998	488	9,510	17,502	27,012
Total.....		18,242	3,230	15,012	21,679	36,691

	Active Communities	Active Selling Lots	Contracted Not Delivered	Active Lots Available	Proposed Developable Lots	Grand Total Lots Available
October 31, 2000:						
Northeast Region..	28	4,941	1,149	3,792	11,016	14,808
North Carolina....	29	2,331	215	2,116	400	2,516
Metro D.C.....	6	708	215	493	4,875	5,368
California.....	12	2,015	151	1,864	576	2,440
Texas.....	44	1,628	282	1,346	752	2,098

Other.....	1	186	84	102	2,374	2,476
	-----	-----	-----	-----	-----	-----
	120	11,809	2,096	9,713	19,993	29,706
	=====	=====	=====	=====	=====	=====
Owned.....		6,236	1,963	4,273	3,776	8,049
Optioned.....		5,573	133	5,440	16,217	21,657
		-----	-----	-----	-----	-----
Total.....		11,809	2,096	9,713	19,993	29,706
		=====	=====	=====	=====	=====

The following table summarizes our started or completed unsold homes and models:

	January 31, 2001			October 31, 2000		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
	-----	-----	-----	-----	-----	-----
Northeast Region....	119	59	178	133	48	181
North Carolina.....	216	54	270	102	31	133
Metro D.C.....	87	37	124	6	7	13
California.....	98	22	120	136	32	168
Texas.....	238	9	247	238	8	246
Mid South.....	73	23	96	--	--	--
Other.....	40	--	40	58	--	58
	-----	-----	-----	-----	-----	-----
Total	871	204	1,075	673	126	799
	=====	=====	=====	=====	=====	=====

Financial Services - Mortgage loans held for sale consist of residential mortgages receivable of which \$42,546,000 and \$61,549,000 at January 31, 2001 and October 31, 2000, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of such mortgages is being held as an investment by us. We may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, we have incurred minimal credit losses. Collateral Mortgage Financing - Collateral for bonds payable consist of collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JANUARY 31, 2001 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2000

Our operations consist primarily of residential housing development and sales in our Northeast Region (comprising of New Jersey, southern New York state and eastern Pennsylvania), North Carolina, Metro D.C. (northern Virginia and Maryland), southern California, Texas, the Mid-south (Tennessee, Alabama, and Mississippi), and Poland. Our Mid-south operations are the result of the merger with Washington Homes, Inc. In addition, we provide financial services to our homebuilding customers.

Important indicators of the future results are recently signed contracts and home contract backlog for future deliveries. Our sales contracts and homes in contract backlog (using base sales prices) by market area are set forth below:

	Sales Contracts for the Three Months Ended January 31,		Contract Backlog as of January 31,	
	2001	2000	2001	2000
	-----	-----	-----	-----
	(Dollars in Thousands)			
Northeast Region:				
Dollars.....	\$125,433	\$109,040	\$327,437	\$284,240
Homes.....	479	422	1,201	1,086
North Carolina:				
Dollars.....	\$ 41,651	\$ 26,892	\$102,786	\$ 44,081
Homes.....	233	144	570	213
Metro D.C.:				
Dollars.....	\$ 32,009	\$ 13,449	\$193,098	\$ 32,144
Homes.....	130	52	786	136
California:				
Dollars.....	\$ 65,547	\$ 23,839	\$ 82,106	\$ 33,217
Homes.....	182	93	227	128
Texas:				
Dollars.....	\$ 37,177	\$ 39,830	\$ 62,754	\$ 42,951

Homes.....	175	202	280	204
Mid South:				
Dollars.....	\$ 3,806	--	\$ 17,037	--
Homes.....	29	--	106	--
Other:				
Dollars.....	\$ 857	\$ 4,193	\$ 10,011	\$ 9,276
Homes.....	22	50	60	76
Totals:				
Dollars.....	\$306,480	\$217,243	\$795,229	\$445,909
Homes.....	1,250	963	3,230	1,843

During February 2001 we signed an additional 949 contracts compared to 359 in the same month last year. The February 2001 contracts along with our contract backlog at January 31, 2001 and deliveries for the three months ended January 31, 2001 amount to approximately 75% of our planned deliveries for fiscal 2001.

Total Revenues:

Revenues for the three months ended January 31, 2001 increased \$36.9 million or 14.3%, compared to the same period last year. This was the result of a \$33.3 million increase in revenues from the sale of homes, a \$3.0 million increase in land sales and other homebuilding revenues, and a \$0.6 million increase in financial service revenues.

Homebuilding:

Revenues from the sale of homes increased \$33.3 million or 13.3% during the three months ended January 31, 2001, compared to the same period last year. Revenues from sales of homes are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Three Months Ended January 31,	
	2001	2000

	(Dollars in Thousands)	
Northeast Region:		
Housing Revenues.....	\$123,626	\$127,252
Homes Delivered.....	427	461
North Carolina:		
Housing Revenues.....	\$ 31,798	\$ 27,370
Homes Delivered.....	180	138
Metro D.C.:		
Housing Revenues.....	\$ 36,691	\$ 15,845
Homes Delivered.....	162	65
California:		
Housing Revenues.....	\$ 44,314	\$ 25,636
Homes Delivered.....	106	94
Texas:		
Housing Revenues.....	\$ 37,810	\$ 49,215
Homes Delivered.....	177	259
Mid South:		
Housing Revenues.....	\$ 3,077	--
Homes Delivered.....	22	--
Other:		
Housing Revenues.....	\$ 6,089	\$ 4,800
Homes Delivered.....	48	24
Totals:		
Housing Revenues.....	\$283,405	\$250,118
Homes Delivered.....	1,122	1,041

The increase in the number of homes delivered and related revenues was due to an increase of three communities in the Metro D. C. market, an increase in the average home price in California, and the merger with Washington Homes, Inc. These increases were partially offset by decreases in the Northeast Region and Texas. The decrease in the Northeast Region was due to the timing of scheduled deliveries. The decrease in deliveries in Texas was due to the change in their fiscal year end when we acquired them October 31, 1999. Texas historically reported strong deliveries in their fourth quarter, which were

represented in our first quarter ended January 31, 2000.

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

	Three Months Ended January 31,	
	2001	2000
----- (Dollars in Thousands)		
Sale of Homes.....	\$283,405	\$250,118
Cost of Sales.....	223,675	204,710
	-----	-----
Housing Gross Margin.....	\$ 59,730	\$ 45,408
	=====	=====
Gross Margin Percentage.....	21.1%	18.2%

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

	Three Months Ended January 31,	
	2001	2000

Sale of Homes.....	100.0%	100.0%

Cost of Sales:		
Housing, land & development costs....	70.8%	73.4%
Commissions.....	2.2%	2.3%
Financing concessions..	0.9%	0.9%
Overheads.....	5.0%	5.2%
	-----	-----
Total Cost of Sales.....	78.9%	81.8%
	-----	-----
Gross Margin.....	21.1%	18.2%
	=====	=====

We sell a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the mix of both communities and of home types delivered, consolidated quarterly gross margin will fluctuate up or down and may not be representative of the consolidated gross margin for the year. In addition, gross margin percentages are higher in the Northeast Region compared to our other markets. For the three months ended January 31, 2001 our gross margin percentage increased 2.9% compared to the same period last year. This can be attributed to improved profitability in the Northeast Region and increased sales prices in California.

Selling, general, and administrative expenses as a percentage of total homebuilding revenues, decreased to 9.8% for the three months ended January 31, 2001 from 9.9% for the prior year three months. Such expenses increased \$3.3 million during the three months ended January 31, 2001 compared to the same period last year. The dollar increase in selling, general and administrative is primarily due to increased advertising and selling costs in California due to the addition of five new communities, increases in administrative costs in our Northeast Region, and the addition of Washington Homes, Inc.

Land Sales and Other Revenues:

Land sales and other revenues consist primarily of land and lot sales. A breakout of land and lot sales is set forth below:

	Three Months Ended January 31,	
	2001	2000

Land and Lot Sales.....	\$ 3,166	\$ 934
Cost of Sales.....	2,901	793
	-----	-----
Land and Lot Sales Gross Margin...	265	141
Interest Expense.....	233	191
	-----	-----
Land and Lot Sales Profit (Loss) Before Tax.....	\$ 32	\$ (50)
	=====	=====

Land and lot sales are incidental to our residential housing operations and are expected to continue in the future but may significantly fluctuate up

or down.

Financial Services

Financial services consist primarily of originating mortgages from our homebuyers, selling such mortgages in the secondary market, and title insurance activities. For the three months ended January 31, 2001 financial services provided a \$1.7 million profit before taxes compared to a loss of \$0.5 million in 2000. This increase is primarily due to a change in management, reduced costs, and increased mortgage loan amounts. In addition to our wholly-owned mortgage facility, customers obtained mortgages from our mortgage joint ventures in our Texas and Washington Homes divisions.

Collateralized Mortgage Financing

In the years prior to February 29, 1988 we pledged mortgage loans originated by our mortgage banking subsidiaries against our collateralized mortgage obligations ("CMO's"). Subsequently we discontinued our CMO program. As a result, CMO operations are diminishing as pledged loans are decreasing through principal amortization and loan payoffs, and related bonds are reduced. In recent years, as a result of bonds becoming callable, we have also sold a portion of our CMO pledged mortgages.

Corporate General and Administrative

Corporate general and administrative expenses include the operations at our headquarters in Red Bank, New Jersey. Such expenses include our executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, and administration of insurance, quality, and safety. As a percentage of total revenues such expenses increased to 3.4% for the three months ended January 31, 2001 from 2.7% for the prior year three months. Corporate general and administrative expenses increased \$3.0 million during the three months ended January 31, 2001 compared to the same period last year. Increases in corporate general and administrative expenses are primarily attributed to less process redesign costs associated with SAP capitalized during the three months ended January 31, 2001 compared to the same period last year, our new enterprise wide fully integrated software package, increased depreciation resulting from capitalized process redesign costs in prior years, and increased bonus accruals based upon increased return on equity. Process redesign costs are capitalized in accordance with SOP 98-1 "Accounting For the Cost of Computer Software Development For or Obtained for Internal Use".

Interest

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

	Three Months Ended January 31,	
	2001	2000
Sale of Homes.....	\$ 9,272	\$ 7,677
Land and Lot Sales.....	233	191
Total.....	\$ 9,505	\$ 7,868

Housing interest as a percentage of sale of homes revenues slightly increased to 3.3% for the three months ended January 31, 2001 compared to 3.1% for the three months ended January 31, 2000.

Other Operations

Other operations consist primarily of miscellaneous residential housing operations expenses, investment property operations, amortization of senior and subordinated note issuance expenses, earnout payments from homebuilding company acquisitions, amortization of goodwill, and corporate owned life insurance loan interest.

Restructuring Charges

Restructuring charges are estimated expenses associated with the integration of our operations with those of Washington Homes, Inc. These expenses are salaries, severance and outplacement costs for the termination of associates, and costs to close and relocate existing administrative offices, and lost rent and leasehold improvements.

Total Taxes

Total taxes as a percentage of income before taxes amounted to approximately 40.1% and 27.7% for the three months ended January 31, 2001 and 2000, respectively. The increase in this percentage from 2000 to 2001 is primarily attributed to an increased effective federal income tax rate. The increased effective rate is due primarily to higher amounts of expenses in 2001 not deductible for federal taxes and a reduced effect of our senior rental tax credits. Although the credits are the same in 2001 and 2000, they reduce our effective tax rate less when pretax profits are higher. Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. If for some reason the combination of future years income (or loss) combined with the reversal of the timing differences results in a loss, such losses can be carried back to prior years to recover the deferred tax assets. As a result, management is confident such deferred tax assets are recoverable regardless of future income.

Inflation

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

Inflation has a lesser short-term effect on us because we generally negotiate fixed price contracts with our subcontractors and material suppliers for the construction of our homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between four to twelve months. Construction costs for residential buildings represent approximately 57% of our homebuilding cost of sales.

Merger With Washington Homes, Inc.

On January 23, 2001 we merged with Washington Homes, Inc. for a total purchase price of \$87.4 million, of which \$37.9 was paid in cash and 6,352,900 shares of our Class A common stock were issued. The addition of Washington Homes operations for slightly more than three full quarters is expected to increase revenues more than 40% in fiscal 2001 from fiscal 2000.

Safe Harbor Statement

Certain statements contained in this Form 10-Q that are not historical facts should be considered as "Forward-Looking Statements" within the meaning of the Private Securities Litigation Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. Such risks, uncertainties and other factors include, but are not limited to:

- . Changes in general economic and market conditions
- . Changes in interest rates and the availability of mortgage financing
- . Changes in costs and availability of material, supplies and labor
- . General competitive conditions
- . The availability of capital
- . The ability to successfully effect acquisitions

These risks, uncertainties, and other factors are described in detail in Item 1 and 2 Business and Properties in our Form 10-K for the year ended October 31, 2000.

Item 4. Submission of Matters to a Vote of Security Holders

We held our annual stockholders meeting on March 8, 2001 at 10:30 a.m. in the Board Room of the American Stock Exchange, 13th floor, 86 Trinity Place, New York, New York. The following matters were voted at the meeting:

. Election of all Directors to hold office until the next Annual Meeting of Stockholders. The elected Directors were:

- .. Kevork S. Hovnanian
- .. Ara K. Hovnanian
- .. Paul W. Buchanan
- .. Geaton A. DeCesaris, Jr.
- .. Arthur Greenbaum
- .. Desmond P. McDonald
- .. Peter S. Reinhart

.. John J. Robbins
.. J. Larry Sorsby
.. Stephen D. Weinroth

. Ratification of selection of Ernst & Young, LLP as certified independent accountants for fiscal year ending October 31, 2001.

.. Votes For	Class A	11,871,112	Class B	72,836,990
.. Votes Against	Class A	13,652	Class B	617,160
.. Abstain	Class A	6,247	Class B	7,730

Item 6c. Reports on Form 8-K.

(i) 8-K filed on December 15, 2000 which was to file the press release dated December 14, 2000 relating to fourth quarter numbers.

(ii) 8-K filed on February 7, 2001 which was to announce completion of the Washington Homes, Inc. merger on January 23, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOVNIANIAN ENTERPRISES, INC.
(Registrant)

DATE: March 16, 2001

/S/J. LARRY SORSBY
J. Larry Sorsby,
Executive Vice President and
Chief Financial Officer

DATE: March 16, 2001

/S/PAUL W. BUCHANAN
Paul W. Buchanan,
Senior Vice President
Corporate Controller

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (hereinafter called this "Agreement"), dated as of August 28, 2000, between Hovnanian Enterprises, Inc., a Delaware corporation (the "Company"), and each of the stockholders of WHI (as hereinafter defined) set forth on the signature pages hereto (each an "Investor").

RECITALS

WHEREAS, the Investors are the beneficial owners of shares of common stock, par value \$.01 per share ("WHI Common Stock"), of Washington Homes, Inc., a Maryland corporation ("WHI");

WHEREAS, the Company, WHI Holding Co., Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("Merger Sub"), and WHI have entered into an Agreement and Plan of Merger of even date herewith (the "Merger Agreement"), pursuant to which WHI will be merged (the "Merger") with and into Merger Sub;

WHEREAS, as a result of the Merger, certain of the shares of WHI Common Stock beneficially owned by the Investors will be converted at the effective time of the Merger (the "Effective Time") into the right to receive, and thereafter the Investors shall become the beneficial owners of, shares of Class A Common Stock, par value \$.01 per share ("Class A Common Stock"), of the Company;

WHEREAS, in connection with the Merger, the Company and certain of the Investors are contemporaneously entering into Voting Agreements of even date herewith, pursuant to which each such Investor, as one of a limited number of related shareholders of WHI, has agreed, among other things, subject to certain terms and conditions, to vote his, her or its shares of WHI Common Stock for approval and adoption of the Merger Agreement; and

WHEREAS, the parties hereto desire to enter into this Agreement, which sets forth certain registration rights applicable to the Registrable Securities (as hereinafter defined) held from time to time by the Investor.

NOW, THEREFORE, to implement the foregoing and in consideration of the premises and of the mutual agreements contained herein, the parties hereto agree as follows:

1. Definitions.

Whenever the following terms are used in this Agreement, they shall have the meaning specified below:

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Holder" shall mean each Investor and any holder of Registrable Securities who agrees in writing to be bound by the provisions of this Agreement.

"Person" shall mean any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity.

"Registrable Securities" shall mean any Class A Common Stock issued or issuable to a Holder and any Class A Common Stock which may be issued or distributed in respect of such Class A Common Stock by way of stock dividend or stock split or other distribution, recapitalization or reclassification. As to any particular Registrable Securities, once issued such securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (ii) they shall have been distributed to the public pursuant to Rule 144 or 144A (or any successor provisions) under the Securities Act, (iii) they shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration or qualification of them under the Securities Act or any state securities or blue sky law then in force, or (iv) they shall have ceased to be outstanding.

"Registration Expenses" shall mean expenses incident to performance of or compliance with this Agreement, including, without limitation, (i) all SEC and stock exchange or National Association of Securities Dealers, Inc. registration and filing fees, (ii) all fees and expenses of complying with securities or blue sky laws (including fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities), (iii) all printing, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange pursuant to clause (viii) of Section 4,

(v) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, (vi) the reasonable fees and disbursements of one counsel to all Investors participating in the registration, and (vii) any fees and disbursements of underwriters customarily paid by the issuers or sellers of securities, including liability insurance if the Company so desires or if the underwriters so require, and the reasonable fees and expenses of any special experts retained in connection with the requested registration, but excluding underwriting discounts and commissions and transfer taxes, if any.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"SEC" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

"Seller" shall mean a Holder whose Registrable Securities are included in a registration statement pursuant to any provision of this Agreement.

2. Incidental Registrations.

(a) Right to Include Registrable Securities. If the Company at any time after the Effective Time proposes to register its Class A Common Stock under the Securities Act (other than a registration of shares in connection with a sale for its own account, or a registration on Form S-4 or S-8, or any successor or other forms promulgated for similar purposes, or a registration statement in connection with an offering to employees of the Company and its subsidiaries or a registration of shares of Class A Common Stock pursuant to the terms of any Supplemental Agreement (as hereinafter defined) other than any such registration resulting from any right of a party to such Supplemental Agreement to have the Company effect registration under Section 7(a) of this Agreement), pursuant to a registration statement on which it is permissible to register Registrable Securities for sale to the public under the Securities Act, it will each such time give prompt written notice to each Investor of its intention to do so and of the Investor's rights under this Section 2. Upon the written request of any Investor made within 15 days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by the Investor), the Company will use its reasonable best efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Investor; provided, that (i) if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to proceed with the proposed registration of the securities identified in such notice to be sold, the Company may, at its election, give written notice of such determination to the Investor and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses in connection therewith), and (ii) if such registration involves an underwritten offering, the Investor must sell his, her or its Registrable Securities to the underwriters selected by the Company on the same terms and conditions as apply to the Company, with such differences, including any with respect to indemnification and liability insurance, as may be customary or appropriate in secondary offerings. If a registration requested pursuant to this Section 2(a) involves an underwritten public offering, an Investor may elect, in writing prior to the effective date of the registration statement filed in connection with such registration, not to register such securities in connection with such registration.

(b) Expenses. The Company will pay Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 2 to the same extent that the Company is obligated to pay the registration expenses of any other holders of Class A Common Stock or any holders of Class B Common Stock, par value \$.01 per share ("Class B Common Stock" and, collectively with the Class A Common Stock, "Common Stock"), of the Company under the registration rights agreement or agreements having the most favorable terms to holders with respect to payment of such expenses.

(c) Priority in Incidental Registrations. If a registration pursuant to this Section 2 involves an underwritten offering and the managing underwriter in good faith advises the Company in writing that, in its opinion, the total amount of securities requested to be included in such registration (including the Registrable Securities which Investors have requested to be included in such registration pursuant to Section 2(a) hereof) exceeds the amount which can be sold in such offering without having an adverse effect on such offering as contemplated by the Company (including the price at which the Company proposes to sell such securities), then the Company will include in such registration (i) first, 100% of the securities proposed to be sold in the notice delivered to the Investors pursuant to Section 2(a) hereof and (ii) second, to the extent of the number of securities requested to be included in such registration exceed the number of

securities that, in the opinion of such managing underwriter, can be sold without having the adverse effect referred to above, the amount of Registrable Securities that Investors have requested to be included in such registration (and, in the case of more than one Holder having the rights of the Investors under this Section 2 and requesting pursuant to Section 2(a) hereof to have Registrable Securities included in such registration, such amount to be allocated pro rata among all requesting Holders on the basis of the relative number of shares of Registrable Securities then held by each such Holder, provided that any Registrable Securities thereby allocated to any such Holder that exceed such Holder's request will be reallocated among the remaining requesting Holders in like manner).

3. Registration on Request.

(a) Request by Investors. After the Effective Time, upon the written request of an Investor or group of Investors that, as of the date of such request, hold Registrable Securities equal to at least 50% of the aggregate of all Registrable Securities then held by all Investors requesting that the Company effect the registration under the Securities Act of all or part of such Investor's or Investors' Registrable Securities and specifying the amount and intended method of disposition thereof, the Company will (i) promptly upon receipt thereof, give written notice of such request to all other Holders and (ii) as expeditiously as possible, use its reasonable best efforts to effect the registration under the Securities Act of the Registrable Securities which the Company has been so requested to register by such Investor or Investors and any other Holders so as to permit the disposition (in accordance with the intended method thereof as aforesaid) of the Registrable Securities so to be registered. Notwithstanding the foregoing, upon delivery to the requesting Investor or Investors of written notice and a brief statement of the reason for the Company's action, the Company shall be entitled to postpone filing of the registration statement otherwise properly requested to be filed pursuant to this Section 3 for a period not to exceed 60 days if, in the reasonable judgment of the Board of Directors of the Company, such registration would materially interfere with or materially adversely affect any then existing negotiations for financing or any other arrangement, agreement or plan then pending or being negotiated in good faith, provided that the duration of such postponement does not exceed the number of days required to avoid such material interference or material adverse effect. Notwithstanding anything to the contrary in this Agreement, the Company need only effect a total of two registrations requested under this Section 3 for all of the Investors as a whole, and following such two registrations no Investor shall have any rights under this Section 3.

(b) Registration Statement Form. Registration under this Section 3 shall be on such appropriate registration form prescribed by the SEC under the Securities Act (i) as shall be selected by the Company and as shall be reasonably acceptable to the Investor and (ii) as shall permit the disposition of the Registrable Securities pursuant to the intended method of disposition thereof specified in accordance with Section 3(a) hereof. The Company agrees to include in such registration statement filed pursuant to this Section 3 all information that the participating Investors, upon advice of counsel, shall reasonably request. The Company may, if permitted by law, effect any registration requested under this Section 3 by the filing of a registration statement on Form S-3 (or any successor or similar short form registration statement). If the managing underwriter shall advise the Company in writing that, in its opinion, the use of a form of registration statement other than Form S-3 is of material importance to the success of such proposed offering, then such registration shall be effected on such other form.

(c) Expenses. The Company will pay Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 3 to the same extent that the Company is obligated to pay the registration expenses of any other holders of Class A Common Stock or any holders of Class B Common Stock under the registration rights agreement or agreements having the most favorable terms to holders with respect to payment of such expenses.

(d) Effective Registration Statement. A registration requested pursuant to this Section 3 will not be deemed to have been effected unless it has become effective; provided, that if, within 180 days after it has become effective, the offering of Registrable Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court, such registration will be deemed not to have been effected.

(e) Selection of Underwriters. If a requested registration pursuant to this Section 3 involves an underwritten offering, the requesting Investor or Investors shall have the right to select the investment banker or bankers and managers to administer the offering; provided, however, that such investment banker or bankers and managers shall be reasonably satisfactory to the Company.

(f) Priority in Requested Registrations. If a requested registration pursuant to this Section 3 involves an underwritten offering and the managing underwriter in good faith advises the Company in writing that,

in its opinion, the number of securities requested to be included in such registration (including any Registrable Securities which any other Holder has requested to be included in such registration pursuant to Section 3(a) hereof) exceeds the amount which can be sold in such offering without having an adverse effect on such offering as contemplated by the requesting Investor or Investors (including the price at which the Investor or Investors propose to sell such securities), then the Company will include in such registration (i) first, 100% of the securities the requesting Investor or Investors propose to sell and (ii) second, to the extent of the number of securities requested to be included in such registration exceed the number of securities that, in the opinion of such managing underwriter, can be sold without having the adverse effect referred to above, the amount of Registrable Securities that the other Holders have requested to be included in such registration, such amount to be allocated pro rata among all requesting Holders on the basis of the relative number of shares of Registrable Securities then held by each such Holder, provided that any Registrable Securities thereby allocated to any such Holder that exceed such Holder's request will be reallocated among the remaining requesting Holders in like manner). In the event that the number of Registrable Securities requested to be included in such registration (consisting of the sum of the number of Registrable Securities that the Investor or Investors have requested to be included in such registration pursuant to Section 3(a) hereof and the number of Registrable Securities which any other Holder has requested to be included in such registration pursuant to Section 3(a)) is less than the amount of Registrable Securities that, in the opinion of the managing underwriter, can be sold without having the adverse effect referred to above, the Company may include in such registration the securities the Company proposes to sell up to the number of securities that, in the opinion of such managing underwriter, can be so sold.

(g) Offerings Without Registration. Notwithstanding anything to the contrary in this Section 3, if counsel for the Company shall determine that registration under the Securities Act is not required for the amount and/or intended method of disposition of the Registrable Securities specified in the Investor's or Investors' request for registration pursuant to Section 3(a) hereof, the Company shall not be required to effect such requested registration. In any such instance involving a proposed underwritten offering of such Registrable Securities, however, the Company shall use its reasonable best efforts to assist the Investor or Investor in consummating the transaction or transactions contemplated in such request, including, without limitation, the preparation of appropriate offering or sale documents, and shall pay Registration Expenses in connection with such offering to the same extent as the Company would be obligated to pay Registration Expenses pursuant to Section 3(c) hereof.

4. Registration Procedures. If and whenever the Company is required to use its reasonable best efforts to effect or cause the registration of any Registrable Securities under the Securities Act as provided in this Agreement, the Company will, as expeditiously as possible:

(i) prepare and, in any event within 120 days after the end of the period within which a request for registration may be given to the Company, file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective; provided, however, that the Company may discontinue any registration of its securities which is being effected pursuant to Section 2 hereof at any time prior to the effective date of the registration statement relating thereto;

(ii) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period not in excess of 180 days (or such period as may be permitted under the Securities Act) and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the Seller or Sellers thereof set forth in such registration statement; provided, that before filing a registration statement or prospectus, or any amendments or supplements thereto, the Company will furnish to counsel for the Investor or Investors copies of all documents proposed to be filed, which documents will be subject to the review of such counsel and no such registration statement or prospectus, or any amendment or supplement thereto, shall be filed to which such counsel shall have reasonably objected on the grounds that such registration statement or prospectus, or amendment or supplement (with respect to disclosures or omissions in the case of a registration under Section 3 hereof relating to the Holders of Registrable Securities), does not comply in all material respects with the requirements of the Securities Act or the rules or regulations thereunder and shall have specified the basis for such objection in reasonable detail;

(iii) furnish to each Seller of such Registrable Securities such number of copies of such registration statement and of each amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and

summary prospectus), in conformity with the requirements of the Securities Act, and such other documents as such Seller may reasonably request in order to facilitate the disposition of the Registrable Securities by such Seller;

(iv) use its reasonable best efforts to register or qualify such Registrable Securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each Seller shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Seller, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this clause (iv), it would not be obligated to be so qualified, to subject itself to taxation in any such jurisdiction, or to consent to general service of process in any such jurisdiction;

(v) use its reasonable best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the Seller or Sellers thereof to consummate the disposition of such Registrable Securities;

(vi) notify each Seller of any such Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act within the appropriate period mentioned in clause (ii) of this Section 4, of the Company's becoming aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such Seller, prepare and furnish to such Seller a reasonable number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(vii) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable (but not more than 18 months) after the effective date of the registration statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(viii) use its reasonable best efforts to list such Registrable Securities on any securities exchange on which the Class A Common Stock is then listed, if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange, and to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(ix) enter into such customary agreements (including an underwriting agreement in customary form) and take such other actions as requesting Investor or Investors, the Seller or Sellers of a majority of the Registrable Securities being sold by other Holders or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(x) obtain a "cold comfort" letter or letters from the Company's independent public accountants in customary form and covering matters of the type customarily covered by "cold comfort" letters as the Investor or the Seller or Sellers of a majority of the Registrable Securities being sold by other Holders (provided that such Registrable Securities constitute at least 25% of the securities covered by such registration statement) shall reasonably request; and

(xi) make available for inspection by any Seller of such Registrable Securities covered by such registration statement, by any underwriter participating in any disposition to be effected pursuant to such registration statement and by any attorney, accountant or other agent retained by any such Seller or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such Seller, underwriter, attorney, accountant or agent in connection with such registration statement.

The Company may require each Seller to furnish the Company with such information regarding such Seller and pertinent to the disclosure

requirements relating to the registration and the distribution of such securities as the Company may from time to time reasonably request in writing.

Each Seller agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in clause (vi) of this Section 4, such Seller will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Seller's receipt of the copies of the supplemented or amended prospectus contemplated by clause (vi) of this Section 4, and, if so directed by the Company, such Seller will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Seller's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period mentioned in clause (ii) of this Section 4 shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to clause (vi) of this Section 4 and including the date when each Seller shall have received the copies of the supplemented or amended prospectus contemplated by clause (vi) of this Section 4.

5. Indemnification.

(a) Indemnification by the Company. In the event of any registration of any securities of the Company under the Securities Act pursuant to Section 2 or 3, the Company will, and it hereby does, indemnify and hold harmless, to the extent permitted by law, the Seller of any Registrable Securities covered by such registration statement, each affiliate of such Seller and their respective directors and officers or general and limited partners (and the directors, officers, affiliates and controlling Persons thereof), each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such Seller or any such underwriter within the meaning of the Securities Act (collectively, the "Indemnified Parties"), against any and all losses, claims, damages or liabilities, joint or several, and expenses to which such Seller, any such director or officer or general or limited partner or affiliate or any such underwriter or controlling Person may become subject under the Securities Act, common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof, whether or not such Indemnified Party is a party thereto) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary, final or summary prospectus contained therein, or any amendment or supplement thereto, or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and the Company will reimburse such Indemnified Party for any legal or any other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided, that the Company shall not be liable to any Indemnified Party in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or amendment or supplement thereto or in any such preliminary, final or summary prospectus in reliance upon and in conformity with written information with respect to such Seller furnished to the Company by such Seller for use in the preparation thereof; and provided, further, that the Company will not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities or any other Person, if any, who controls such underwriter within the meaning of the Securities Act, under the indemnity agreement in this Section 5(a) with respect to any preliminary prospectus or the final prospectus or the final prospectus as amended or supplemented, as the case may be, to the extent that any such loss, claim, damage or liability of such underwriter or controlling Person results from the fact that such underwriter sold Registrable Securities to a Person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final prospectus (including any documents incorporated by reference therein) or of the final prospectus as then amended or supplemented (including any documents incorporated by reference therein), whichever is most recent, if the Company has previously furnished copies thereof to such underwriter. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Seller or any Indemnified Party and shall survive the transfer of such securities by such Seller.

(b) Indemnification by the Seller. The Company may require, as a condition to including any Registrable Securities in any registration statement filed in accordance with Section 4 herein, that the Company shall have received an undertaking reasonably satisfactory to it from the prospective Seller of such Registrable Securities or any underwriter to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 5(a) hereof) the Company and all other prospective Sellers or any underwriter, as the case may be, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement, if such statement or alleged statement or

omission or alleged omission was made in reliance upon and in conformity with written information with respect to such Seller or underwriter furnished to the Company by such Seller or underwriter for use in the preparation of such registration statement, preliminary, final or summary prospectus or amendment or supplement, or a document incorporated by reference into any of the foregoing. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any of the prospective Sellers, or any of their respective affiliates, directors, officers or controlling Persons and shall survive the transfer of such securities by such Seller.

(c) Notices of Claims, Etc. Promptly after receipt by an Indemnified Party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 5, such Indemnified Party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, that the failure of the Indemnified Party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 5, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an Indemnified Party, unless in such Indemnified Party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the indemnifying party to such Indemnified Party of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnified Party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include, as an unconditional term thereof, the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation, without the prior written consent of the Indemnified Party.

(d) Other Indemnification. Indemnification similar to that specified in the preceding subdivisions of this Section 5 (with appropriate modifications) shall be given by the Company and each Seller with respect to any required registration or other qualification of securities under any federal or state law or regulation or governmental authority other than the Securities Act.

(e) Non-Exclusivity. The obligations of the parties under this Section 5 shall be in addition to any liability which any party may otherwise have to any other party.

6. Rule 144. The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of the Investor, make publicly available such information), and it will take such further action as the Investor may reasonably request, all to the extent required from time to time to enable Investors to sell shares of Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the SEC. Upon the request of any Investor, the Company will deliver to the Investor a written statement as to whether he, she or it has complied with such requirements. Notwithstanding anything contained in this Section 6, the Company may deregister under Section 12 of the Exchange Act if it then is permitted to do so pursuant to the Exchange Act and the rules and regulations thereunder.

7. Miscellaneous.

(a) Holdback Agreement. If any such registration shall be in connection with an underwritten public offering, the Holders agree not to effect any public sale or distribution, including any sale pursuant to Rule 144 under the Securities Act, of any equity securities of the Company, or of any security convertible into or exchangeable or exercisable for any equity security of the Company (in each case, other than as part of such underwritten public offering), within 7 days before or 180 days (or such lesser period as the managing underwriters may permit) after the effective date of such registration if, and to the extent, the Company or any managing underwriter of any such offering determines such action is necessary or desirable in order to effect such offering, and the Company hereby also so agrees and agrees to cause each other holder of any equity security, or of any security convertible into or exchangeable or exercisable for any equity security, of the Company purchased from the Company (at any time other than in a public offering) to so agree.

(b) Amendments and Waivers. This Agreement may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have

obtained the written consent to such amendment, action or omission to act, of each Investor who is then a party hereto. Each Holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any consent authorized by this Section 7(c), whether or not such Registrable Securities shall have been marked to indicate such consent.

(c) Successors, Assigns and Transferees. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the parties hereto other than the Company shall also be for the benefit of and enforceable by any subsequent Holder of any Registrable Securities, subject to the provisions contained herein.

(d) Notices. All notices and other communications provided for hereunder shall be in writing and shall be sent by first class mail, telex, facsimile or hand delivery:

(i) if to the Company, to:

Hovnanian Enterprises, Inc.
10 Highway 35, P.O. Box 500
Red Bank, New Jersey 07701
Attention:

With a copy to:

Hovnanian Enterprises, Inc.
10 Highway 35, P.O. Box 500
Red Bank, New Jersey 07701
Attention:

(ii) if to any Investor, to him, her or it at the address set forth below his or her signature or otherwise designated by such Investor:

(iii) if to any other Holder, to the address of such other holder as shown in the books and records of the Company, or to such other address as any of the above shall have designated in writing to all of the other above.

All such notices and communications shall be deemed to have been given or made (1) when delivered by hand, (2) five business days after being deposited in the mail, postage prepaid, (3) when telexed, answer-back received or (4) when sent by facsimile, receipt acknowledged.

(e) Descriptive Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

(f) Severability. In the event that any one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or sentence in every other respect and of the remaining provisions, paragraphs, words, clauses, phrases or sentences hereof shall not be in any way impaired, it being intended that all rights, powers and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

(g) Counterparts. This Agreement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

(h) Effectiveness; Termination. This Agreement shall not become effective until the Effective Time. This Agreement shall terminate, and shall cease to be of any further force or effect, with respect to any Investor or any other Holder at such time as such person beneficially owns shares of Class A Common Stock representing less than 1% of the issued and outstanding shares of Common Stock of the Company.

(i) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein. The parties to this Agreement hereby agree to submit to the jurisdiction of the courts of the State of New Jersey in any action or proceeding arising out of or relating to this Agreement.

(j) Specific Performance. The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that they shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and

provisions hereof in any court of competent jurisdiction in the United States or any state thereof, in addition to any other remedy to which they may be entitled at law or equity.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed on its behalf as of the date first written above.

HOVNANIAN ENTERPRISES, INC.

By: /S/ J. LARRY SORSBY
Name: J. Larry Sorsby
Title: Senior Vice-President and CFO

Investors:

/s/ Geaton A. DeCesaris, Sr
Geaton A. DeCesaris, Sr.*

/s/ Paul C. Sukalo
Paul C. Sukalo*

/s/ Elizabeth H. DeCesaris
Elizabeth H. DeCesaris*

/s/ Iad M. Sukalo
Ida M. Sukalo*

/s/ Marco A. DeCesaris
Marco A. DeCesaris*
/s/ Joseph A. DeCesaris
Joseph A. DeCesaris*

/s/ Thomas Pellerito
Thomas Pellerito*
/s/ Josephine A. DeCesaris
Josephine A. DeCesaris*

/s/ Donna M. DeCesaris
Donna M. DeCesaris*

/s/ Geaton A. DeCesaris, Jr.
Geaton A. DeCesaris, Jr.

/s/ A. Hugo DeCesaris
A. Hugo DeCesaris*

/s/ Julie P. DeCesaris
Julie P. DeCesaris*

* Pursuant to a Power of Attorney attached hereto.

THE DeCESARIS FAMILY WASHINGTON
HOMES STOCK GRAT TRUST

THE MARCO A. DeCESARIS
FAMILY TRUST

By: /s/ Geaton A. DeCesaris, Sr., Trustee
Geaton A. DeCesaris, Sr., Trustee* By: /s/ Maria R. Vaccaro, Trustee
Maria R. Vaccaro, Trustee*

By: /s/ Robert D. Courtland, Trustee
THE JOSEPH A. AND DONNA M.
DeCESARIS FAMILY TRUST Robert D. Courtland, Trustee*

By: /s/ Maria R. Vaccaro, Trustee
Maria R. Vaccaro, Trustee* THE GEATON A. AND
ELIZABETH H. DeCESARIS
FAMILY TRUST

By: /s/ Robert D. Courtland, Trustee
Robert D. Courtland, Trustee* By: /s/ Maria R. Vaccaro, Trustee
Maria R. Vaccaro, Trustee*

THE GEATON A. AND JOSEPHINE A.
Trustee By: /s/ Robert D. Courtland,
DeCESARIS FAMILY TRUST Robert D. Courtland, Trustee*

By: /s/ Maria R. Vaccaro, Trustee
Maria R. Vaccaro, Trustee* THE A. HUGO AND JULIE P.
DeCESARIS FAMILY TRUST

By: /s/ Robert D. Courtland, Trustee
Robert D. Courtland, Trustee* By: /s/ Maria R. Vaccaro, Trustee
Maria R. Vaccaro, Trustee*
By: /s/ Robert D. Courtland,

Trustee
Robert D. Courtland, Trustee*

* Pursuant to a Power of Attorney attached hereto.

EMPLOYMENT AGREEMENT

(Geaton A. DeCesaris, Jr.)

EMPLOYMENT AGREEMENT (the "Agreement") dated January 23, 2001 by and between K. Hovnanian Enterprises, Inc. (the "Company") and Geaton A. DeCesaris, Jr. (the "Executive").

WHEREAS, Executive entered into that certain Employment Agreement with WHI (as hereinafter defined) dated July 1, 2000 (the "WHI Employment Agreement"). As an inducement to the Executive to enter into this Agreement, the Executive has agreed to the cancellation of the WHI Employment Agreement in consideration for a payment of a signing bonus to the Executive in an amount equal to the Executive's base salary and the total annual bonus in respect of WHI's fiscal year ended July 31, 2000 (which includes the current amount paid and the amount deferred) earned by the Executive for WHI's fiscal year ended July 31, 2000;

WHEREAS, the Company desires to employ Executive and to enter into an agreement embodying the terms of such employment; and WHEREAS, Executive desires to accept such employment and enter into such an agreement.

NOW, THEREFOR, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Employment. Subject to the provisions of Section 7 of this Agreement and the consummation of the transactions contemplated in the Agreement and Plan of Merger among Hovnanian Enterprises, Inc. ("Hovnanian"), WHI Holding Co., Inc. and Washington Homes, Inc. ("WHI") dated as of August 27, 2000 (such agreement, the "Merger Agreement" and the date of such consummation, the "Effective Time"), Executive shall be employed by the Company for a period commencing on the Effective Time and ending on October 31, 2003 (the "Employment Term") on the terms and subject to the conditions set forth in this Agreement.

2. Position.

a. During the Employment Term, Executive shall serve as the Company's Chief Operating Officer and President of Homebuilding Operations. In such position, Executive shall have direct responsibility for the oversight of the President of the Southeast Region of the Company and of the combined assets of the former WHI, which has been merged with and into the Company, and the assets of the Southeast Region of Hovnanian (of which the Company is a wholly-owned subsidiary), as well as such other duties and authority as shall be determined from time to time by the Board of Directors (the "Board") and the Chief Executive Officer of Hovnanian. The Executive will also serve as a member of the Board of Directors of Hovnanian and a member of the Strategic Planning Committee of Hovnanian and will be responsible for the development and recommendation to the Chief Executive Officer and Board of Directors of Hovnanian of ideas and strategies for improvement of homebuilding operations and profitability. Furthermore, the Executive will be responsible, along with other executives of Hovnanian and the Company, for implementation of decisions affecting homebuilding operations and the profitability of Hovnanian and its subsidiaries. Executive shall operate principally out of Landover, Maryland and such other locations in the Washington, D.C. area as may be requested from time to time. Executive agrees to travel to such other places as may be required from time to time to perform Executive's duties under this Agreement.

b. During the Employment Term, Executive will devote Executive's full business time and best efforts to the performance of Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the rendition of such services either directly or indirectly, without the prior written consent of the Board; provided that nothing herein shall preclude Executive, from accepting appointment to or continue to serve on any board of directors or trustees of any business corporation or any charitable organization; provided in each case, and in the aggregate, that such activities do not conflict or interfere with the performance of Executive's duties hereunder or conflict with Section 8.

c. In addition to the foregoing, during the Employment Term, so long as Executive continues to hold at least 500,000 shares of common stock of Hovnanian (the "Shares"), Executive shall also serve as a member of the board of directors of Hovnanian (the "Hovnanian Board"). Upon termination of Executive's employment pursuant to this Agreement for any reason other than for Cause, death or Disability (as hereinafter defined), Executive shall continue to serve as a member of the Hovnanian Board for a period of two years following the date of termination, so long as he continues to hold at least 500,000 Shares; provided, however, that in the event that Executive breaches the covenant not to compete set forth in Section 8(a) of this Agreement, Executive shall immediately cease to be a member of the Hovnanian Board.

3. Base Salary. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of \$500,000, payable in regular installments in accordance with the Company's usual payment practices. Executive's base salary shall be adjusted annually, at the same time as other executives of the Company's base salary is adjusted, by a percentage equal to the percentage increase, if any, in the Consumer Price Index for all Urban Consumers (the "CPI") for the Washington, D.C. Metropolitan Area (or any successor CPI), published by the Bureau of Labor Statistics of the United States for the year that immediately precedes the calendar year in which the applicable anniversary occurs. The amount of Executive's base salary, as adjusted from time to time hereunder, shall be

referred to herein as Executive's "Base Salary".

4. Annual Bonus; Stock Options.

a. Annual Bonus. With respect to each full fiscal year during the Employment Term, Executive shall be eligible to earn an annual bonus award (an "Annual Bonus") in accordance with the terms and conditions of the K. Hovnanian Annual Incentive Plan for Executive (attached hereto as Exhibit A), subject to the terms and conditions of Section 5 and Exhibit C attached hereto.

b. Stock Options. The Executive shall be entitled to options to acquire shares of the Class A common stock, par value \$0.01 per share, of Hovnanian in accordance with the terms and conditions set forth in Exhibit B attached hereto. In addition to the foregoing, and notwithstanding that the WHI Employment Agreement shall, as of the Effective Time, be of no further force and effect, the Company acknowledges that Hovnanian has assumed and shall continue to honor Executive's rights set forth in the grant to the Executive of a Nonstatutory Stock Option for the shares of common stock, \$0.01 par value per share, of WHI) and the provisions set forth in Section 2(b) of such WHI Employment Agreement. Executive hereby agrees that any additional option grants shall be made pursuant to the Option Plan and shall include a vesting schedule consistent with such option grants made pursuant to the Option Plan. Executive further hereby acknowledges that the current option-vesting schedule under the Option Plan provides that options vest 25% annually commencing on the third anniversary of the date of grant and on each anniversary thereafter.

5. Employee Benefits. During the Employment Term, Executive shall be entitled to participate in the Company's employee benefit plans (other than bonus, incentive or severance plans), including group medical, dental, disability and life insurance plans, retirement plans, and supplemental and excess retirement plans, as in effect from time to time (collectively "Employee Benefits"), on the same basis as those benefits are generally made available to other senior executives of the Company, except the Company shall specifically provide Executive with the benefits set forth in Exhibit C hereof; provided, that Executive shall be entitled to four (4) weeks paid vacation per year. For purposes of determining eligibility to participate and vesting only, where length of service is relevant under any Employee Benefit plan, Executive shall receive service credit for Executive's service with Washington Homes, Inc. to the same extent such service credit was granted under Washington Homes, Inc. employee benefits plans. The Company hereby acknowledges that in the case of Executive, such service credit is equal to 27 years (as of the date hereof). In addition to the foregoing, in the event that the Employment Term expires and Executive's employment with the Company terminates thereafter, Executive shall be entitled to participate in such employee benefit plans as may be offered to other executives of the Company upon their termination of employment.

6. Business Expenses. During the Employment Term, reasonable business expenses incurred by Executive in the performance of Executive's duties hereunder shall be reimbursed by the Company in accordance with Company policies, except the Company shall specifically reimburse Executive for the expenses set forth in Exhibit C hereof pursuant to the policy in effect at WHI prior to the Effective Time, which policy is also set forth in Exhibit C hereof.

7. Termination. The Employment Term and Executive's employment hereunder may be terminated by either party at any time and for any reason; provided that Executive will be required to give the Company at least 30 days advance written notice of any resignation of Executive's employment. Notwithstanding any other provision of this Agreement, the provisions of this Section 7 shall exclusively govern Executive's rights upon termination of employment with the Company and its affiliates.

a. By the Company For Cause or By Executive Resignation Without Good Reason.

(i) The Employment Term and Executive's employment hereunder may be terminated by the Company for Cause (as defined below) and shall terminate automatically upon Executive's resignation without Good Reason (as defined in Section 7(c)); provided that Executive will be required to give the Company at least 30 days advance written notice of a resignation without Good Reason.

(ii) For purposes of this Agreement, "Cause" shall mean (A) dishonesty in the performance of Executive's duties hereunder, (B) an act or acts on Executive's part constituting (x) a felony under the laws of the United States or any state thereof or (y) a misdemeanor involving moral turpitude, (C) Executive's willful malfeasance or willful misconduct, whether by action or failure to act, (including, without limitation, Executive's continued absenteeism or failure to carry out a direct, legal order given to Executive by his supervisor) in connection with Executive's duties hereunder for a period of 20 days following written notice by the Company to Executive of the details of such malfeasance or misconduct or (D) Executive's breach of the provisions of Sections 8 or 9 of this Agreement.

(iii) If Executive's employment is terminated by the Company for Cause, or if Executive resigns without Good Reason after giving the Company 30 days advance written notice of such resignation, Executive shall be entitled to receive:

(A) the Base Salary through the date of termination;
(B) any Annual Bonus which may be earned but not yet paid as of the date of termination for any previously completed fiscal year;
(C) reimbursement for any unreimbursed business expenses properly incurred by Executive in accordance with Company policy

prior to the date of Executive's termination; and
(D) such Employee Benefits, if any, as to which Executive may be entitled under the employee benefit plans of the Company (the amounts described in clauses (A) through (D) hereof being referred to as the "Accrued Rights").

Following such termination of Executive's employment by the Company for Cause or resignation by Executive without Good Reason, except as set forth in this Section 7(a)(iii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

b. Disability or Death.

(i) The Employment Term and Executive's employment hereunder shall terminate upon Executive's death and may be terminated by the Company if Executive becomes physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform Executive's duties (such incapacity is hereunder referred to as "Disability"). Any question as to the existence of the Disability of Executive as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and Executive shall be final and conclusive for all purposes of the Agreement.

(ii) Upon termination of Executive's employment hereunder for either Disability or death, Executive or Executive's estate (as the case may be) shall be entitled to receive:

(A) the Accrued Rights; and

(B) a pro rata portion of any Annual Bonus that Executive would have been entitled to receive pursuant to Section 4 hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of Executive's termination of employment, payable when such Annual Bonus would have otherwise been payable had Executive's employment not terminated, Following Executive's termination of employment due to death or Disability, except as set forth in this Section 7(b)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

c. By the Company Without Cause or Resignation by Executive for Good Reason.

(i) The Employment Term and Executive's employment hereunder may be terminated by the Company without Cause or by Executive's resignation for Good Reason.

(ii) For purposes of this Agreement, "Good Reason" shall mean (A) the failure of the Company to pay or cause to be paid Executive's Base Salary or Annual Bonus, when due hereunder or (B) any substantial and sustained diminution in Executive's authority or responsibilities from those described in Section 2 hereof; provided that either of the events described in clauses (A) and (B) of this Section 7(c)(ii) shall constitute Good Reason only if the Company fails to cure such event within 30 days after receipt from Executive of written notice of the event which constitutes Good Reason; provided, further, that "Good Reason" shall cease to exist for an event on the 30th day following the later of its occurrence or Executive's knowledge thereof, unless Executive has given the Company written notice thereof prior to such date.

(iii) If Executive's employment is terminated by the Company without Cause (other than by reason of death or Disability) or if Executive resigns for Good Reason, Executive shall be entitled to receive:

(A) the Accrued Rights; and

(B) a pro rata portion of any Annual Bonus that Executive would have been entitled to receive pursuant to Section 4 hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of Executive's termination of employment, payable when such Annual Bonus would have otherwise been payable had Executive's employment not terminated; and
(C) an amount equal to two times the sum of (i) the Base Salary, plus (ii) the average of the last two fiscal years' Annual Bonus earned by Executive, payable within thirty (30) days following the date of termination.

Following Executive's termination of employment by the Company without Cause (other than by reason of Executive's death or Disability) or by Executive's resignation for Good Reason, except as set forth in this Section 7(c)(iii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

d. Continued Employment Beyond the Expiration of the Employment Term. Unless the parties otherwise agree in writing, continuation of Executive's employment with the Company beyond the expiration of the Employment Term shall be deemed an employment at-will and shall not be deemed to extend any of the provisions of this Agreement and Executive's employment may thereafter be terminated at will by either Executive or the Company; provided that the provisions of Sections 7(c)(iii), 8, 9 and 10 of this Agreement shall survive any termination of this Agreement or Executive's termination of employment hereunder.

e. Notice of Termination. Any purported termination of employment by the Company or by Executive (other than due to Executive's death) shall be communicated by written Notice of Termination to the other

party hereto in accordance with Section 11(g) hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provision so indicated.

f. Resignation. Upon termination of Executive's employment for any reason, Executive agrees to resign, as of the date of such termination and to the extent applicable, from the Company as an officer of the Company and any of the Company's affiliates.

8. Non-Competition.

a. Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(1) During the Employment Term and, for a period of (x) six months following the date the Company terminates Executive's employment for Cause or (y) one year following the date Executive ceases to be employed by the Company for any other reason (other than as a result of the natural expiration of the Employment Term), Executive will not, whether on Executive's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) engage in any business that competes with the business of the Company or its affiliates (including, without limitation, businesses which the Company or its affiliates have specific plans to conduct in the future and as to which Executive is aware of such planning) (a "Competitive Business");

(ii) enter the employ of, or render any services to, any person or entity (or any division of any person or entity) who or which engages in a Competitive Business including, without limitation, any person or entity who or which derives more than 5% of its annual revenues from any Competitive Business (or which is part of a controlled group of corporations which derives more than 5% of its annual revenues from any Competitive Business);

(iii) acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; or

(iv) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the date of this Agreement) between the Company or any of its affiliates and customers, clients, suppliers, partners, members or investors of the Company or its affiliates.

(2) Notwithstanding anything to the contrary in this Agreement, Executive may, directly or indirectly own, solely as an investment, securities of any person engaged in the business of the Company or its affiliates which are publicly traded on a national or regional stock exchange or on the over-the-counter market if Executive (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such person.

(3) During the Employment Term and, for a period of eighteen months following the date Executive ceases to be employed by the Company (the "Restricted Period"), Executive will not, whether on Executive's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates;

(ii) solicit the employment or services of any employee who left the employment of the Company or its affiliates coincident with, or within three months prior to or after the termination of, Executive's employment with the Company;

(iii) hire any such employee (other than any employee who is related to Executive by blood or by marriage) who was employed by the Company or its affiliates as of the date of Executive's termination of employment with the Company or who left the employment of the Company or its affiliates coincident with, or within one year prior to or after, the termination of Executive's employment with the Company; or

(iv) Compete for any real property that the Company had investigated, conducted due diligence on, conducted research into, performed a feasibility analysis on, entered into an option to purchase, entertained entering into a letter of intent or an option to purchase, or otherwise expressed an interest in purchasing at any time within one year prior to the termination of Executive's employment with the Company.

(4) During the Restricted Period, Executive will not, directly

or indirectly, solicit or encourage to cease to work with the Company or its affiliates any consultant then under contract with the Company or its affiliates.

(5) Notwithstanding anything to the contrary contained in this Agreement, the provisions of sub clause (1) of this Section 8(a) shall be restricted to those states within the southeast region of the United States in which the Company operates and all other areas in which the Executive has performed significant services for the Company.

b. It is expressly understood and agreed that although Executive and the Company consider the restrictions contained in this Section 8 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

9. Confidentiality. Executive will not at any time (whether during or after Executive's employment with the Company) disclose or use for Executive's own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, information, data, or other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans, or the business and affairs of the Company generally, or of any subsidiary or affiliate of the Company; provided that the foregoing shall not apply to information which is not unique to the Company or which is generally known to the industry or the public other than as a result of Executive's breach of this covenant. Except as required by law, Executive will not disclose to anyone, other than his immediate family and legal or financial advisors, the existence or contents of this Agreement. Executive agrees that upon termination of Executive's employment with the Company for any reason, he will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, except that he may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. Executive further agrees that he will not retain or use for Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or its affiliates.

10. Specific Performance. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 8 or Section 9 would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

11. Miscellaneous.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to conflicts of laws principles thereof.

b. Entire Agreement/Amendments. This Agreement contains the entire understanding of the parties with respect to the employment of Executive by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

c. No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

d. Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

e. Assignment. This Agreement shall not be assignable by Executive. This Agreement may be assigned by the Company to a person or entity, which is an affiliate or a successor in interest to substantially all of the business operations of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such affiliate or successor person or entity.

f. Successors; Binding Agreement. This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

g. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

K. Hovnanian Enterprises, Inc.

10 Highway 35

P.O. Box 500

Red Bank, New Jersey 07701

Attention: Ara K. Hovnanian, President

With a copy to:

Peter S. Reinhart,

Senior Vice President and General Counsel

If to Executive:

Geaton A. DeCesaris, Jr.

5806 Sonny Drive

Lothian, Maryland 20711

h. Executive Representation. Executive hereby represents to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

i. Prior Agreements This Agreement supercedes all prior agreements and understandings (including verbal agreements) between Executive and the Company and/or its affiliates regarding the terms and conditions of Executive's employment with the Company and/or its affiliates (collectively, the "Prior Agreements").

j. Cooperation. Executive shall provide his reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding), which relates to events occurring during Executive's employment hereunder. This provision shall survive any termination of this Agreement.

k. Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

l. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

K. HOVNANIAN ENTERPRISES, INC. GEATON A. DECESARIS, JR.

/s/ J. Larry Sorsby /s/Geaton A. DeCesaris, Jr.

By: J. Larry Sorsby

Title: Executive Vice President

EXHIBIT A

K. Hovnanian Annual Incentive Plan

For

Geaton A. DeCesaris, Jr.

Executive's Annual Bonus for the fiscal years ended October 31, 2001, October 31, 2002 and October 31, 2003 will be based upon the highest amount derived by using the computational methodology described in paragraph (1) or (2), plus (3) below.

(1) An increasing dollar amount based on the Return on Inventory ("ROI") calculated based solely on WHI Holding Co. and its subsidiaries' operations for the fiscal years ended October 31, 2001 and October 31, 2002, and based on the consolidated ROI of WHI Holding Co. and its subsidiaries and Hovnanian's Southeast Region operations for the fiscal year ended October 31, 2003. The Annual Bonus amount will be interpolated between the ROI percentages set forth below:

ROI	10%	15%	20%
Bonus	\$500,000	\$1,000,000	\$1,500,000

or

(2) An increasing dollar amount based on the Return on Equity ("ROE") of Hovnanian. The Annual Bonus amount will be interpolated between ROE percentages set forth below:

ROE	10%	15%	20%
Bonus	\$300,000	\$750,000	\$1,250,000

and

(3) An Annual Bonus equal to 3% of the profits before taxes from the Hovnanian Southeast Region for Hovnanian's fiscal years ended October 31, 2001 and October 31, 2002.

With respect to any Annual Bonus payable in accordance with paragraph (1), (2) or (3) above, as the case may be, 70% of the amount of such Annual Bonus will be paid in cash and 30% will be paid in the Class A common stock, \$0.01 par value per share, of Hovnanian (the "Common Stock."). The Common Stock component of the Annual Bonus will be subject to an increase of 20% in excess of the correlative cash component of the Annual Bonus and, taking into account the fact that the Executive, for vesting purposes, will receive credit for his 20 plus prior years of service with WHI and its predecessor Company, will be fully vested at the time that the Common Stock component of the Annual Bonus is awarded and computed.

By way of example, if 30% of the Executive's Annual Bonus is equal to \$300,000, the Executive will receive a number of shares of Common Stock of Hovnanian equal to \$360,000 ($\$300,000 \times 1.2$) computed based upon the closing price of the Common Stock on the national securities exchange on which the Common Stock is then traded on the last day of the bonus period, which will be October 31 of any given year. Because the Executive will be fully vested with respect to the Common Stock component of his Annual Bonus, all of the Common Stock to which he is entitled (subject to a cash payment for any fractional share) will be delivered to him on the date that the cash component of the Annual Bonus is paid.

The calculation of the Annual Bonus will not include any adjustments (including, without limitation, adjustment of inventory, goodwill, and net investment) related to the utilization by WHI, the Company (as successor to WHI) or Hovnanian, as the case may be, to reflect the use of the purchase method of accounting for the WHI/Hovnanian merger under generally accepted accounting principles. Accounting principles will be applied on a consistent basis and will not be changed with the intention of adversely affecting the bonus calculation.

ATTACHMENT 1 TO EXHIBIT A

Definitions Pertaining to Annual Incentive Plan
of K. Hovnanian Enterprises, Inc. for
Geaton A. DeCesaris, Jr.

ROE of Hovnanian:

Consolidated Net Income on Hovnanian's 10K divided by the quarterly average of the Hovnanian's equity as reported on its most recent 10Q or 10K, divided by five.

ROI of WHI (or the Company as successor to WHI):

Pre-tax profits of WHI generated from all operations divided by quarterly average inventory (as defined below) of WHI. Pre-tax profits are after a 12% interest charge on Hovnanian net investment (as defined below) in WHI. In calculating pre-tax profits, the following expenses will be excluded:

Executive's compensation benefits, etc. and the costs associated with being a public entity. These costs have been estimated to be at \$3,500,000.

That portion of WHI's divisional administrative overhead (not WHI's regional overheads formerly known as WHI's corporate office expenses) which is allocated (for purposes of calculating ROI) to deliveries from Hovnanian communities which have been consolidated into WHI divisions. In making this calculation, WHI's divisional administrative overheads will be allocated pro-rata to such WHI and Hovnanian consolidated deliveries based upon revenues.

Any severance payments associated with integrating WHI and Hovnanian.

Average Inventory:

The balance sheet items included in average inventory are work in process ("WIP"), models, capitalized interest, finished lots, land under development, goodwill net of amortization, land deposits and joint ventures. The average is calculated by adding the beginning of the year inventory and four quarter ends and then dividing by five. Any Hovnanian properties under option or owned as of the closing date will remain a Hovnanian Southeast Region asset for the purpose of the WHI ROI calculation. As a result, any new property options or acquisitions of property not under option by Hovnanian prior to the Effective Time will be considered assets of WHI after the Effective Time for the purpose of the WHI ROI calculation.

Net Investment:

Net investment is defined as total assets minus total liabilities excluding any intercompany receivables or payables to Hovnanian and its affiliates.

EXHIBIT B

Option Grants to Geaton A. DeCesaris, Jr.
under the K. Hovnanian Enterprises, Inc.
Stock Option Plan pursuant to the
Terms Of His Employment Agreement

Mr. DeCesaris will be entitled to the following grants of options
for the Common Stock of Hovnanian Enterprises, Inc. on the terms set forth
below:

Date of Grant Vesting	Number of Shares	Exercise Price	Expiration Date	
1st Anniversary ** from Date of Employment Agreement	50,000	Fair Market* Value on Date of Grant	10 years from Date of Grant	(See
2nd Anniversary ** from Date of (See Below) Employment Agreement	50,000	Fair Market* Value on Date of Grant	10 years from Date of Grant	
3rd Anniversary ** from Date of (See Below) Employment Agreement	50,000	Fair Market* Value on Date of Grant	10 years from Date of Grant	
4th Anniversary ** from Date of (See Below) Employment Agreement	50,000	Fair Market* Value on Date of Grant	10 years from Date of Grant	

* Fair Market Value on Date of grant shall be deemed to be the closing price of Hovnanian's Class A Common Stock on whichever national securities exchange is listed on the Date of Grant.

** Vesting with respect to these grants of options shall be as follows:
25% on each anniversary from the Date of Grant.

EXHIBIT C
Special Employee Benefits

Two automobiles with Jeep/BMW and all related expenses including gasoline, insurance and repairs.

Business meals and entertainment

First class travel to industry and business related conferences periodically with wife

First class travel over 1-1/2 hours to H/B operations

Plane charter on an as needed basis with prior approval by CEO

Sporting event tickets, within reason

Airline travel clubs and country club dues

Young Presidents Organization (YPO) Dues and conferences

Payment of \$25,000 per calendar year premium for split-dollar life insurance policy (to be deducted from the annual bonus amount payable in respect of the fiscal year of the Company in which such required premium payment occurs); provided, however, in the unlikely event that the amount of annual bonus payable in respect of such fiscal year is less than the amount paid by the Company in respect of such premium payment, Executive shall reimburse the Company for such premium payment.

As of January 23, 2001

ARTICLE I

MEETING OF STOCKHOLDERS

Section 1. Place of Meeting and Notice. Meetings of the stockholders of the Corporation shall be held at such place either within or without the State of Delaware as the Board of Directors may determine.

Section 2. Annual and Special Meetings. Annual meetings of stockholders shall be held, at a date, time and place fixed by the Board of Directors and stated in the notice of meeting, to elect a Board of Directors and to transact such other business as may properly come before the meeting. Special meetings of the stockholders may be called by the President for any purpose and shall be called by the President or Secretary if directed by the Board of Directors or requested in writing by the holders of not less than 25% of the capital stock of the Corporation. Each such stockholder request shall state the purpose of the proposed meeting.

Section 3. Notice. Except as otherwise provided by law, at least 10 and not more than 60 days before each meeting of stockholders, written notice of the time, date and place of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder.

Section 4. Quorum.. At any meeting of stockholders, the holders of record, present in person or by proxy, of a majority of the votes of the Corporation's issued and outstanding capital stock shall constitute a quorum for the transaction of business, except as otherwise provided by law. In the absence of a quorum, any officer entitled to preside at or to act as secretary of the meeting shall have power to adjourn the meeting from time to time until a quorum is present.

Section 5. Voting, Except as otherwise specifically provided in the Certificate of Incorporation or as otherwise required by law, with respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Class A Common Stock and the holders of the outstanding shares of Class B Common Stock shall vote together without regard to Class and all such matters shall be decided by a majority of votes of the holders voting or consenting with respect to such matters.

ARTICLE II

DIRECTORS

Section 1. Number, Term of Office and Removal. The Directors of the Corporation shall be up to eleven in number. Directors need not be stockholders. The Directors shall be elected at the annual meeting of the stockholders of the Corporation and each Director shall be elected to serve until the next annual meeting of stockholders, or until his successor shall have been elected and qualified. Any Director may be removed, either with or without cause, and his successor elected, at any time by a vote of the stockholders at a special meeting called for such purpose. Any other vacancy occurring in the Board of Directors may be filled for the unexpired term by vote of the remaining Directors although less than a quorum.

Section 2. Meetings. Regular meetings of the Board of Directors shall be held at such times and places as may from time to time be fixed by the Board of Directors or as may be specified in a notice of meeting. Special meetings of the Board of Directors may be held at any time upon the call of the President and shall be called by the President or Secretary if directed by the Board of Directors. Telegraphic or written-notice of each special meeting of the Board of Directors shall be sent to each Director not less than two days before such meeting. A meeting of the Board of Directors may be held without notice immediately after the annual meeting of the stockholders. Notice need not be given of regular meetings of the Board of Directors.

Section 3. Quorum. One-third of the total number of Directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the Board of Directors, the Directors present may adjourn the Meeting from time to time, without notice other than announcement at the meeting, until such a quorum is present. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation, these By-Laws or any contract or agreement to which the

Corporation is a party, the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors.

Section 4. Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees, including without limitation an Audit Committee, a Compensation Committee, and an Executive Committee, to have and exercise such power and authority as the Board of Directors shall specify. In the absence of disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the meeting in place of any such absent or disqualified member.

ARTICLE III

OFFICERS

The officers of the Corporation shall consist of a President, a Secretary, a Treasurer and such other additional officers with such titles as the Board of Directors shall determine, all of whom shall be chosen by and shall serve at the pleasure of the Board of Directors. Such officers shall have the usual powers and shall perform all the usual duties incident to their respective offices. All officers shall be subject to the supervision and direction of the Board of Directors. The authority, duties or responsibilities of any officer of the Corporation may be suspended by the President with or without cause. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause.

ARTICLE IV

INDEMNIFICATION

To the fullest extent permitted by the laws of the State of Delaware:

(a) The Corporation shall indemnify any current or former Director or officer of the Corporation and his heirs, executors and administrators, and may, at the discretion of the Board of Directors, indemnify any current or former employee or agent of the Corporation and his heirs, executors and administrators, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or by his heirs, executors or administrators in connection with any threatened, pending or completed action, suit or proceeding (brought by or in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, to which he was or is a party or is threatened to be made a party by reason of his current or former position with the Corporation or by reason of the fact that he is or was serving, at the request of the Corporation, as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(b) The Corporation may pay expenses incurred in defending any action, suit, or proceeding described in subsection (a) of this Article in advance of the final disposition of such action, suit or proceeding, including appeals.

(c) By action of its Board of Directors, notwithstanding any interest of the directors in the action, the Corporation may purchase and maintain insurance on behalf of any person described in subsection (a) of this Article, in such amounts as the Board of Directors deems appropriate, against any liability asserted against him, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article or otherwise.

(d) The Provisions of this Article shall be applicable to all actions, claims, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after its adoption. The provisions of this Article shall be deemed to be a contract between the Corporation and each director, officer, employee or agent who serves in such capacity at any time while this Article and the relevant provisions of the laws of the State of Delaware and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts or any action, suit or proceeding then or theretofore existing, or any action, suit or proceeding thereafter brought or threatened based in whole or in part on any such state of facts. If any provision of this Article shall be found to be invalid or limited in application by reason of any law

or regulation, it shall not affect any other application of such provision or the validity of the remaining provisions hereof. The rights of indemnification and advancement of expenses provided in this Article shall neither be exclusive of, nor be deemed in limitation of, any rights to which any such officer, director, employee or agent may otherwise be entitled or permitted by contract, the Certificate of Incorporation, vote of stockholders or directors or otherwise, or as a matter of law, both as to actions in his official capacity and actions in any other capacity while holding such office, it being the policy of the Corporation that indemnification of the specified individuals shall be made to the fullest extent permitted by law.

(e) For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee, or agent of the corporation which imposes duties on, or involves service by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries.

ARTICLE V

GENERAL PROVISIONS

Section 1. Notices. Whenever any statute, the Certificate of Incorporation or these By-Laws require notice to be given to any Director of stockholder, such notice may be given in writing by mail, addressed to such Director of stockholder at his address as it appears on the records of the Corporation, with postage thereon prepaid. Such notice shall be deemed to have been given when it is deposited in the United States mail. Notice to Directors may also be given by telegram or fax.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board of Directors.