UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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

For the twelve months ended OCTOBER 31, 2000

(   )TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number: 1-8551

Hovnanian Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-1851059
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

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)

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $.01 par value per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act - None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of the close of business on December 31, 2000, there were outstanding 13,692,196 shares of the Registrant's Class A Common Stock and 7,591,579 shares of its Class B Common Stock. The approximate aggregate market value (based upon the closing price on the American Stock Exchange) of these shares held by non-affiliates of the Registrant as of December 31, 2000 was $63,933,000. (The value of a share of Class A Common Stock is used as the value for a share of Class B Common Stock as there is no established market for Class B Common Stock and it is convertible into Class A Common Stock on a share-for-share basis.)

Documents Incorporated by Reference:

Part III - Those portions of registrant's definitive proxy statement to be filed pursuant to Regulation l4A in connection with registrant's annual meeting of shareholders to be held on March 8, 2001 which are responsive to Items l0, ll, l2 and l3.

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PART I

ITEMS 1 AND 2 - BUSINESS AND PROPERTIES

BUSINESS OVERVIEW

We design, construct and market high quality single-family detached homes and attached condominium apartments and townhouses in planned residential developments in the Northeast (primarily in New Jersey, southern New York state, and eastern Pennsylvania), North Carolina, southeastern Florida, Metro D.C. (northern Virginia and Maryland), southern California, Texas, and Poland. We market our homes to first-time buyers, first-time and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters. We offer a variety of homestyles in the United States at prices ranging from $37,000 to $1,400,000 with an average sales price in fiscal 2000 of $257,000. We are currently offering homes for sale in 120 communities. Since the incorporation of our predecessor company in 1959, we have delivered in excess of 67,000 homes, including 4,367 homes in fiscal 2000. In addition, we provide financial services (mortgage loans and title insurance) to our homebuilding customers.

We employed approximately 1,450 full-time associates as of October 31, 2000. We were incorporated in New Jersey in 1967 and we reincorporated in Delaware in 1982.

BUSINESS STRATEGIES, OPERATING POLICIES AND PROCEDURES

Over the past few years, our strategies have included several initiatives to fundamentally transform our traditional practices used to design, build and sell homes and focus on "building better." We believe that the adoption and implementation of processes and systems successfully used in other manufacturing industries, such as rapid cycle times, vendor consolidation, vendor partnering and just-in-time material procurement, will dramatically improve our business and give us a clear advantage over our competitors. Our concentration in selected markets is a key factor that enables us to achieve powers and economies of scale and differentiate ourselves from most of our competitors. These performance enhancing strategies are designed to achieve operational excellence through the implementation of standardized and streamlined "best practice processes."

Strategic Initiatives - To improve our homebuilding gross profit margins, we have introduced a number of strategic initiatives, including: Partners In Excellence, Process Redesign and Training.

Partners In Excellence, our total quality management initiative, is intended to focus on improving the way operations are performed. It involves all of our associates through a systematic, team-oriented approach to improvement. It increases our profits by streamlining processes and by reducing costly errors. We were recognized for our efforts by receiving the 1997 Gold National Housing Quality Award from Professional Builder magazine and the NAHB Research Center.

Process Redesign is the fundamental rethinking and radical redesign of our processes to achieve dramatic improvements in performance. Our Process Redesign efforts are currently focused on streamlining and standardizing all of our key business processes. In addition, we are working to streamline our processes and implement SAP's enterprise-wide "Enterprise Resource Package" computer software system throughout our organization.

Training is designed to provide our associates with the knowledge, attitudes, skill and habits necessary to succeed at their jobs. Our Training Department regularly conducts training classes in sales, construction, administration, and managerial skills. In addition, as Process Redesign develops new processes, the Training Department is responsible for educating our associates on the processes, procedures and operations.

Land Acquisition, Planning and Development - Before entering into a contract to acquire land, we complete extensive comparative studies and analyses which assist us in evaluating the economic feasibility of such land acquisition. We generally follow a policy of acquiring options to purchase land for future community developments. We attempt to acquire land with a minimum cash investment and negotiate takedown options, thereby limiting the financial exposure to the amounts invested in property and predevelopment costs. This policy significantly reduces the risk and generally allows us to obtain necessary development approvals before acquisition of the land, thereby enhancing the value of the options and the land eventually acquired.

Our option and purchase agreements are typically subject to numerous conditions, including, but not limited to, our ability to obtain necessary governmental approvals for the proposed community. Generally, the deposit on the agreement will be returned to us if all approvals are not obtained, although predevelopment costs may not be recoverable. By paying an additional, nonrefundable deposit, we have the right to extend a significant number of our options for varying periods of time. In most instances, we have the right to cancel any of our land option agreements by forfeiture of our deposit on the agreement. In such instances, we generally are not able to recover any predevelopment costs.

Our development activities include site planning and engineering, obtaining environmental and other regulatory approvals and constructing roads, sewer, water and drainage facilities, and for our residential developments, recreational facilities and other amenities. These activities are performed by our staff, together with independent architects, consultants and contractors. Our staff also carries out long-term planning of communities.

Design - Our residential communities are generally located in suburban areas near major highways. The communities are designed as neighborhoods that fit existing land characteristics. We strive to create diversity within the overall planned community by offering a mix of homes with differing architecture, textures and colors. Recreational amenities such as swimming pools, tennis courts, club houses and tot lots are often included.

Construction - We design and supervise the development and building of our communities. Our homes are constructed according to standardized prototypes which are designed and engineered to provide innovative product design while attempting to minimize costs of construction. We employ subcontractors for the installation of site improvements and construction of homes. Agreements with subcontractors are generally short term and provide for a fixed price for labor and materials. We rigorously control costs through the use of a computerized monitoring system. Because of the risks involved in speculative building, our general policy is to construct an attached condominium or townhouse building only after signing contracts for the sale of at least 50% of the homes in that building. A majority of our single family detached homes are constructed after the signing of a contract and mortgage approval has been obtained.

Materials and Subcontractors - Hovnanian attempts to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, Hovnanian contracts with subcontractors to construct our homes. Hovnanian has reduced construction and administrative costs by consolidating the number of vendors serving our Northeast market and by executing national purchasing contracts with select vendors. Hovnanian plans to implement this strategy throughout all of our markets. In recent years, Hovnanian has experienced no significant construction delays due to shortages of materials or labor. Hovnanian cannot predict, however, the extent to which shortages in necessary materials or labor may occur in the future.

Marketing and Sales - Our residential communities are sold principally through on-site sales offices. In order to respond to our customers' needs and trends in housing design, we rely upon our internal market research group to analyze information gathered from, among other sources, buyer profiles, exit interviews at model sites, focus groups and demographic data bases. We make use of newspaper, radio, magazine, our website, billboard, video and direct mail advertising, special promotional events, illustrated brochures, full-sized and scale model homes in our comprehensive marketing program. In addition, we have opened home design galleries in our Northeast region, Texas, North Carolina, and California, have increased option sales and profitability in these markets. We plan to open similar galleries in each of our markets.

Customer Service and Quality Control - Associates responsible for customer service participate in pre-closing quality control inspections as well as responding to post-closing customer needs. Prior to closing, each home is inspected and any necessary completion work is undertaken by us. In some of our markets, we are enrolled in a standard limited warranty program which, in general, provides a homebuyer with a one-year warranty for the home's materials and workmanship, a two-year warranty for the home's heating, cooling, ventilating, electrical and plumbing systems and a ten-year warranty for major structural defects. All of the warranties contain standard exceptions, including, but not limited to, damage caused by the customer.

Customer Financing - We sell our homes to customers who generally finance their purchases through mortgages. During the year ended October 31, 2000, over 54% of our non-cash customers obtained mortgages originated by our wholly-owned mortgage banking subsidiary, with a substantial portion of our remaining customers obtaining mortgages from various independent lending institutions. Mortgages originated by our wholly-owned mortgage banking subsidiary are sold in the secondary market. In addition, in Fiscal 2000 in our Texas division approximately 40% of our homebuying customers obtained mortgages from our mortgage joint venture.

RESIDENTIAL DEVELOPMENT ACTIVITIES

Our residential development activities include evaluating and purchasing properties, master planning, obtaining governmental approvals and constructing, marketing and selling homes. A residential development generally includes a number of residential buildings containing from two to twenty-four individual homes per building and/or single family detached homes, together with amenities such as recreational buildings, swimming pools, tennis courts and open areas.

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

- Through our presence in multiple geographic markets, our goal is to reduce the effects that housing industry cycles, seasonality and local conditions in any one area may have on our business. In addition, we plan to achieve a significant market presence in each of our markets in order to obtain powers and economies of scale.

- We typically acquire land for future development principally through the use of land options which need not be exercised before the completion of the regulatory approval process. We structure these options in most cases with flexible takedown schedules rather than with an obligation to takedown the entire parcel upon approval. Additionally, we purchase improved lots in certain markets by acquiring a small number of improved lots with an option on additional lots. This allows us to minimize the economic costs and risks of carrying a large land inventory, while maintaining our ability to commence new developments during favorable market periods.

- - We generally begin construction on an attached condominium or townhouse building only after entering into contracts for the sale of at least 50% of the homes in that building. A majority of our single family detached homes are started after a contract is signed and mortgage approvals obtained. This limits the build-up of inventory of unsold homes and the costs of maintaining and carrying that inventory.

- We offer a broad product array to provide housing to a wide range of customers. Our customers consist of first-time buyers, first- and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters.

- We offer a wide range of customer options to satisfy individual customer tastes. We opened larger regional home design galleries in New Jersey, North Carolina, Texas, and California. It is our expectation to open regional design galleries in each of our major markets.

Current base prices for our homes in contract backlog at October 31, 2000 (exclusive of upgrades and options) range from $37,000 to $1,400,000 in our Northeast Region, from $106,000 to $380,000 in North Carolina, from $230,000 to $267,000 in Florida, from $172,000 to $525,000 in Metro D.C., from $190,000 to $877,000 in California, from $119,000 to $680,000 in Texas and from $12,000 to $78,000 in Poland. Closings generally occur and are typically reflected in revenues from two to nine months after sales contracts are signed.

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

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
	(Housing Revenue in Thousands)		
Northeast Region(1):			
Housing Revenues........	$ 561,422	$560,586	$595,873
Homes Delivered.........	1,939	2,063	2,530
Average Price...........	$ 289,542	$271,733	$235,522
North Carolina:			
Housing Revenues........	$ 126,596	$145,153	$127,592
Homes Delivered.........	653	756	687
Average Price...........	$ 193,868	$192,001	$185,723
Florida:			
Housing Revenues........	$ 19,114	$ 36,566	$ 44,168
Homes Delivered.........	74	159	241
Average Price...........	$ 258,297	$229,974	$183,269
Metro D.C.:			
Housing Revenues........	$ 66,137	$ 45,493	$ 38,904
Homes Delivered.........	263	198	152
Average Price...........	$ 251,471	$229,762	$255,947
California:			
Housing Revenues........	$ 143,729	$105,941	$ 82,546
Homes Delivered.........	480	514	457
Average Price...........	$ 299,435	$206,110	$180,625
Texas:			
Housing Revenues........	$ 186,294	$ 13,184	--
Homes Delivered.........	914	66	--
Average Price...........	$ 203,823	$199,757	--
Poland:			
Housing Revenues........	$ 2,174	$ 1,630	$ 6,561
Homes Delivered.........	44	12	71
Average Price...........	$ 49,409	$135,833	$ 92,408
Combined Total:			
Housing Revenues........	$1,105,466	$908,553	$895,644
Homes Delivered........	4,367	3,768	4,138
Average Price...........	$ 253,141	$241,123	$216,443

(1) Fiscal years ended 2000 and 1999 include $63,940,000 and $31,961,000 housing revenues and 178 and 88 homes, respectively, from a New Jersey homebuilder acquired on August 7, 1999.

The value of our net sales contracts increased 38.4% to $1,102,000 for the year ended October 31, 2000 from $796,453,000 for the year ended October 31, 1999. This increase was the net result of a 28.5% increase in the number of homes contracted to 4,542 in 2000 from 3,535 in 1999, and a 7.7% increase in the average home base sales prices. By United States market, on a dollar basis, Metro D. C. increased 53.0%, California increased 38.7%, and the Northeast Region increased 15.1%. Texas also increased as the result of a full year of sales resulting from an acquisition on October 1, 1999. The increase in Metro D. C. was due to an increase in the number of active selling communities. The increase in California was primarily the result of an increase in the average home price. The increase in the Northeast Region was due to slight increases in sales and average home prices. These increases were slightly offset by Florida and North Carolina. The 22.3% decrease in Florida was due to the closing of our Florida operations. The 12.9% decrease in North Carolina was the result of a highly competitive market.

The following table summarizes our active communities under development as of October 31, 2000. The remaining home sites available in our active communities under development are included in the 31,802 total home lots under the total residential real estate chart in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Communities	Approved Lots	(1) Homes Delivered	(2) Contracted Not Delivered	Remaining Home Sites Available
Northeast Region......	28	6,716	1,832	1,101	3,783
North Carolina........	29	3,380	1,084	194	2,102
Florida...............	--	173	128	45	--
Metro D.C.............	6	998	306	202	490
California............	12	2,332	317	151	1,864
Texas.................	44	2,739	1,147	267	1,325
Poland................	1	146	38	39	69
Total	120	16,484	4,852	1,999	9,633

(1) Includes 132 lots under option.

(2) Of the total home sites available, 775 were under construction or completed (including 124 models and sales offices), 5,325 were under option, and 261 were financed through purchase money mortgages.

In addition, as of October 31, 2000, in substantially completed or suspended developments, we had 101 homes under construction or completed including 76 homes which are under contract. We also had 76 lots without construction (21 under contract) in these substantially completed or suspended developments.

The following table summarizes our total started or completed unsold homes as of October 31, 2000:

	Unsold Homes	Models	Total
Northeast Region..................	133	48	181
North Carolina....................	102	31	133
Florida...........................	--	--	--
Metro D.C.........................	6	7	13
California........................	136	32	168
Texas.............................	238	8	246
Poland............................	58	--	58
Total	673	126	799

BACKLOG

At October 31, 2000 and October 31, 1999, we had a backlog of signed contracts for 2,096 homes and 1,921 homes, respectively, with sales values aggregating $538,546,000 and $460,660,000, respectively. Substantially all of our backlog at October 31, 2000 is expected to be completed and closed within the next nine months. At November 30, 2000 and 1999, our backlog of signed contracts was 2,190 homes and 1,903 homes, respectively, with sales values aggregating $572,452,000 and $455,866,000, respectively.

Sales of our homes typically are made pursuant to a standard sales contract and provides the customer with a statutorily mandated right of rescission for a period ranging up to 15 days after execution. This contract requires a nominal customer deposit at the time of signing. In addition, in the Northeast Region and Metro D. C. we typically obtain an additional 5% to 10% down payment due 30 to 60 days after signing. The contract may include a financing contingency, which permits the customer to cancel his obligation in the event mortgage financing at prevailing interest rates (including financing arranged or provided by us) is unobtainable within the period specified in the contract. This contingency period typically is four to eight weeks following the date of execution.

RESIDENTIAL LAND INVENTORY

It is our objective to control a supply of land, primarily through options, consistent with anticipated homebuilding requirements in its housing markets. Controlled land as of October 31, 2000, exclusive of communities under development described under "Business and Properties -- Residential Development Activities," is summarized in the following table. The proposed developable lots in communities under development are included in the 31,802 total home lots under the total residential real estate chart in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Number of Proposed Communities	Proposed Developable Lots	Total Land Option Price	Book Value(1)(2)
			(In Thousands)	
Northeast Region:				
Under Option........	47	10,673	$ 239,329	$ 38,279
Owned...............	3	343		7,831
Total............	50	11,016		46,110
North Carolina:				
Under Option........	1	400	$ 4,800	2
Florida:				
Owned...............	2	992		1,669
Metro D.C.:				
Under Option........	11	3,017	$ 42,265	2,862
Owned...............	2	1,858		16,857
Total............	13	4,875		19,719
California:				
Under Option........	2	433	$ 44,930	3,729
Owned...............	1	143		11,722
Total............	3	576		15,451
Texas:				
Under Option........	11	712	$ 34,369	1,416
Owned...............	1	40		1,670
Total............	12	752		3,086
Poland:				
Under Option........	1	400	$ 5,600	2,331
Owned...............	2	982		1,499
Total............	3	1,382		3,830
Totals:				
Under Option........	73	15,635		48,619
Owned...............	11	4,358		41,248
Combined Total........	84	19,993		$ 89,867

(1) Properties under option also includes costs incurred on properties not under option but which are under investigation. For properties under option, we paid, as of October 31, 2000, option fees and deposits aggregating approximately $23,513,000. As of October 31, 2000, we spent an additional $25,106,000 in non-refundable predevelopment costs on such properties.

(2) The book value of $89,867,000 is identified on the balance sheet as "Inventories - land, land options, and cost of projects in planning."

In our Northeast Region, our objective is to control a supply of land sufficient to meet anticipated building requirements for at least three to five years. We typically option parcels of unimproved land for development.

In North Carolina and Metro D.C., a portion of the land we acquired was from land developers on a lot takedown basis. In Texas, we primarily acquire improved lots from land developers. Under a typical agreement with the lot developer, we purchase a minimal number of lots. The balance of the lots to be purchased are covered under an option agreement or a non-recourse purchase agreement. Due to the dwindling supply of improved lots in these markets, we are currently optioning parcels of unimproved land for development.

In California, we have focused our development efforts in the southern portion of the state. Where possible, we plan to option developed or partially developed lots with no more than fifty to seventy-five lots to be taken down during any twelve month period. With a limited supply of developed lots in California, we are currently optioning parcels of unimproved land for development.

CUSTOMER FINANCING

At our communities (except in Texas), on-site personnel facilitate sales by offering to arrange financing for prospective customers through K.

Hovnanian Mortgage, Inc. ("KHM"). We believe that the ability to offer financing to customers on competitive terms as a part of the sales process is an important factor in completing sales.

KHM's business consists of providing our customers with competitive financing and coordinating and expediting the loan origination transaction through the steps of loan application, loan approval and closing. KHM has its headquarters in West Palm Beach, Florida. It originates loans in New Jersey, New York, Pennsylvania, Maryland, Virginia, North Carolina, Florida, and California.

KHM, like other mortgage bankers, customarily sells nearly all of the loans that it originates. Additionally, KHM sells virtually all of the loan servicing rights to loans it originates. Loans are sold either individually or in pools to GNMA, FNMA, or FHLMC or against forward commitments to institutional investors, including banks, mortgage banking firms, and savings and loan associations.

KHM plans to grow its mortgage banking operations. KHM's objective is to increase the capture rate of non-cash homebuyers from the 54% rate achieved in fiscal 2000 to 70% over the next several years.

In Texas, we originate mortgage loans through a joint venture where approximately 40% of our homebuying customers obtained mortgages.

RENTAL PROPERTY DEVELOPMENT ACTIVITIES AND LAND INVENTORY

We had previously diversified our business, on a limited scale, through the development, acquisition and ownership of commercial properties, primarily in central New Jersey, and, to a lesser extent, in Florida, but exited this business in fiscal 1997.

COMPETITION

Our residential business is highly competitive. We compete with numerous real estate developers in each of the geographic areas in which we operate. Our competition range from small local builders to larger regional and national builders and developers, some of which have greater sales and financial resources than us. Resale of housing and the availability of rental housing provide additional competition. We compete primarily on the basis of reputation, price, location, design, quality, service and amenities.

REGULATION AND ENVIRONMENTAL MATTERS

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

Environmental. We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning protection of health and the environment ("environmental laws"). The particular environmental laws which apply to any given community vary greatly according to the community site, the site's environmental conditions and the present and former uses of the site. These environmental laws may result in delays, may cause us to incur substantial compliance and other costs, and prohibit or severely restrict development in certain environmentally sensitive regions or areas.

The Florida Growth Management Act of 1985 became fully effective in Palm Beach County on February 1, 1990. The act requires that infrastructure, including roads, sewer and water lines must be in existence concurrently with the construction of the development. If such infrastructure is not concurrently available, then the community cannot be developed. This will have an effect on limiting the amount of land available for development and may delay approvals of some developments.

Fair Housing Act. In July 1985, New Jersey adopted the Fair Housing Act which established an administrative agency to adopt criteria by which municipalities will determine and provide for their fair share of low and moderate income housing. This agency adopted such criteria in May 1986. Its implementation thus far has caused some delay in approvals for some of our New Jersey communities and may result in a reduction in the number of homes planned for some properties.

Both prior to the enactment of the Fair Housing Act and in its implementation thus far, municipal approvals in some of the New Jersey municipalities in which we own land or land options required us to set aside up to 22% of the approved homes for sale at prices affordable to persons of low and moderate income. In order to comply with such requirements, we must sell these homes at a loss. We attempt to reduce some of these losses through increased density, certain cost saving construction measures and reduced land prices from the sellers of property. Such losses are absorbed by the market priced homes in the same developments.

State Planning Act. Pursuant to the 1985 State Planning Act, the New Jersey State Planning Commission has adopted a State Development and Redevelopment Plan ("State Plan"). The State Plan, if fully implemented, would designate large portions of the state as unavailable for development or as available for development only at low densities, and other portions of the state for more intense development. State government agencies would be required to make permitting decisions in accordance with the State Plan, if it is fully implemented. The state government agencies have not yet adopted policies and regulations to fully implement the State Plan. The Governor has issued an Executive Order to all state agencies requiring compliance with the State Plan. It is unclear what effect this Executive Order may have on our ability to develop our land.

The California Environmental Quality Act (CEQA) requires that every community comply with the CEQA. Compliance with CEQA may result in delay in obtaining the necessary approvals for commencement of the community, a reduction in the density permitted in the community, additional costs in developing the community, or denial of the permits necessary to construct the community.

Conclusion. Despite our past ability to obtain necessary permits and approvals for our communities, it can be anticipated that increasingly stringent requirements will be imposed on developers and homebuilders in the future. Although we cannot predict the effect of these requirements, they could result in time-consuming and expensive compliance programs and substantial expenditures for pollution and water quality control, which could have a material adverse effect on us. In addition, the continued effectiveness of permits already granted or approvals already obtained is dependent upon many factors, some of which are beyond our control, such as changes in policies, rules and regulations and their interpretation and application.

Company Offices. We own our corporate headquarters, a four-story, 24,000 square feet office building located in Red Bank, New Jersey, a 22,000 square feet office building located in Winston-Salem, North Carolina, and 19,992 square feet in a Middletown, New Jersey condominium office building. We lease office space consisting of 101,691 square feet in various New Jersey locations, 13,963 square feet in the Metro D. C. area, 24,193 square feet in various North Carolina locations, 9,946 square feet in West Palm Beach, Florida, 17,566 square feet in southern California, and 20,775 square feet in various Texas locations.

ITEM 3 - LEGAL PROCEEDINGS

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.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the year ended October 31, 2000 no matters were submitted to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Our Class A Common Stock is traded on the American Stock Exchange and was held by 723 shareholders of record at December 31, 2000. There is no established public trading market for our Class B Common Stock, which was held by 603 shareholders of record at December 31, 2000. In order to trade Class B

Common Stock, the shares must be converted into Class A Common Stock on a one-for-one basis. The high and low sales prices for our Class A Common Stock were as follows for each fiscal quarter during the years ended October 31, 2000, 1999, and 1998:

	Class A Common Stock					
	Oct. 31, 2000		Oct. 31, 1999		Oct. 31, 1998	
Quarter	High	Low	High	Low	High	Low
First........	$ 6.88	$ 5.25	$ 9.25	$ 7.75	$ 9.25	$ 6.50
Second.......	$ 6.62	$ 5.44	$ 8.94	$ 6.81	$11.50	$ 8.56
Third........	$ 6.38	$ 5.44	$ 9.50	$ 7.88	$11.19	$ 8.50
Fourth.......	$ 7.94	$ 5.88	$ 8.88	$ 6.00	$ 9.88	$ 6.00

On August 7, 1999 and October 1, 1999 we acquired two homebuilding companies. As part of the purchase price 1,845,359 shares of unregistered Class A Common Stock were issued to the sellers. At October 31, 2000, 435,683 of these shares are being held in escrow (and thus not reported as issued and outstanding). There were no underwriters associated with these transactions. These shares were issued in private transactions in reliance upon Section 4(2) of the Securities Act of 1933.

Certain debt instruments to which we are a party contain restrictions on the payment of cash dividends. As a result of the most restrictive of these provisions, approximately $45,765,000 was free of such restrictions at October 31, 2000. We have never paid a cash dividend nor do we currently intend to pay dividends.

ITEM 6 - SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected financial data and should be read in conjunction with the financial statements included elsewhere in this Form 10-K. Percommon share data and weighted average number of common shares outstanding reflect all stock splits.

	Year Ended				
Summary Consolidated Income Statement Data	October 31, 2000	October 31, 1999	October 31, 1998	October 31, 1997	October 31, 1996
	(In Thousands Except Per Share Data)				
Revenues......................	$1,137,807	$946,720	$937,729	$770,379	$796,248
Expenses......................	1,085,989	896,103	896,437	782,503	771,242
Income(loss) before income taxes and extraordinary loss.	51,818	50,617	41,292	(12,124)	25,006
State and Federal income taxes.	18,655	19,674	15,141	(5,154)	7,719
Extraordinary loss............		(868)	(748)	--	--
Net income (loss).............	$ 33,163	$ 30,075	$ 25,403	$ (6,970)	$ 17,287
Per Share Data:					
Basic:					
Income (loss) before extraordinary loss.........	$ 1.51	$ 1.45	$ 1.20	$ (0.31)	$ 0.75
Extraordinary loss..........		(.04)	(0.03)	--	--
Net income (loss)...........	$ 1.51	$ 1.41	$ 1.17	$ (0.31)	$ 0.75
Weighted average number of common shares outstanding..	21,933	21,404	21,781	22,409	23,037
Assuming Dilution:					
Income (loss) before extraordinary loss.........	$ 1.50	$ 1.43	$ 1.19	$ (0.31)	$ 0.75
Extraordinary loss..........		(.04)	(0.03)		
Net income (loss)...........	$ 1.50	$ 1.39	$ 1.16	$ (0.31)	$ 0.75
Weighted average number of common shares outstanding..	22,043	21,612	22,016	22,506	23,120

Summary Consolidated Balance Sheet Data	October 31, 2000	October 31, 1999	October 31, 1998	October 31, 1997	October 31, 1996
Total assets..................	$ 873,541	$712,861	$589,102	$637,082	$614,111
Mortgages and notes payable....	$ 78,206	$110,228	$150,282	$184,519	$145,336
Bonds collateralized by mortgages receivable.........	$ 3,007	$ 3,699	$ 5,652	$ 7,855	$ 9,231

Senior notes, participating senior subordinated debentures and subordinated notes	$ 396,430	$250,000	$145,449	$190,000	$200,000
Stockholders' equity	$ 263,359	$236,426	$201,392	$178,762	$193,622

Note: See Item 7 "Results of Operations" for impact of our 1999 acquisitions in our 2000 operating results.

RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

For purposes of computing the ratios of earnings to fixed charges and earnings to combined fixed charges and preferred dividends, earnings consist of earnings (loss) from continuing operations before income taxes, minority interest, extraordinary items and cumulative effect of accounting changes, plus fixed charges(interest charges and preferred share dividend requirements of subsidiaries, adjusted to a pretax basis), less interest capitalized, less preferred share dividend requirements of subsidiaries adjusted to a pretax basis and less undistributed earnings of affiliates whose debt is not guaranteed by us.

The following table sets forth the ratios of earnings to fixed charges and earnings to combined fixed charges and preferred dividends for the periods indicated:

	Years Ended October 31,				
	2000	1999	1998	1997	1996
Ratio of earnings to fixed charges	2.2	3.0	2.5	(a)	1.6
Ratio of earnings to combined fixed charges and preferred stock dividends	2.2	3.0	2.5	(a)	1.6

(a) No ratio is presented for the year ended October 31, 1997 as the earnings for such period were insufficient to cover fixed charges by $9,197,000.

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

CAPITAL RESOURCES AND LIQUIDITY

Our cash uses during the twelve months ended October 31, 2000 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, interest, and the repurchase of common stock. We provided for our cash requirements from housing and land sales, the issuance of $150,000,000 Senior Notes, 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.

Our net income historically does not approximate cash flow from operating activities. The difference between net income and cash flow from operating activities is primarily caused by changes in inventory levels, mortgage loans and liabilities, and depreciation and impairment losses. When we are expanding our operations, which was the case in fiscal 2000 and 1999, inventory levels increase causing cash flow from operating activities to decrease. Liabilities also increase as inventory levels increase. The increase in liabilities partially offsets the negative effect on cash flow from operations caused by the increase in inventory levels. As our mortgage warehouse loan liability increases, cash flow from operations decreases. Conversely, as such loans decrease, cash flow from operations increases. Depreciation and impairment losses always increase cash flow from operating activities since they are non-cash charges to operations. We expect to be in an expansion mode in fiscal 2001. As a result, we expect cash flow from operations to be less than net income in fiscal 2001.

In March 2000 the Board of Directors authorized a revision to our stock repurchase program to purchase up to 4 million shares of Class A Common Stock. This authorization expired on December 31, 2000. As of October 31, 2000, 3,391,047 shares were repurchased under this program of which 1,026,647 were repurchased during the year ended October 31, 2000.

Our homebuilding bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line and letter of credit line of up to $375,000,000 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 currently are in compliance and intend to maintain compliance with the covenants under the Agreement. As of October 31, 2000, borrowings under the Agreement were zero.

The subordinated indebtedness issued by us and outstanding as of October 31, 2000 was $100,000,000 9 3/4% Subordinated Notes due June 2005. On October 2, 2000, we issued $150,000,000 10 1/2% Senior Notes due in October 2007. The proceeds were used to repay outstanding debt under our "Revolving Credit Facility". On May 4, 1999, we issued $150,000,000 9 1/8% Senior Notes due in April 2009.

Our mortgage banking subsidiary borrows under a $70,000,000 bank warehousing arrangement which expires in July 2001. 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 October 31, 2000, the aggregate outstanding principal amount of such borrowings was $56,486,000.

Total inventory increased $87,753,000 from October 31, 1999 to October 31, 2000. This increase was due to significant anticipated openings of a number of communities in the Northeast Region and California and our expansion in Maryland. These increases were slightly offset by decreased inventory levels in Florida, due to the closing of our Florida Operations. Substantially, all homes under construction and included in inventory at October 31, 2000 are expected to be closed during the next twelve months. Most inventory completed or under development is financed through our revolving credit facility, senior notes and subordinated indebtedness.

We usually option property for development prior to acquisition. By optioning property, we are only subject to the loss of a small option fee and predevelopment costs if we choose not to exercise the option. As a result, our commitment for major land acquisitions is reduced.

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

	Total Home Lots	Contracted Not Delivered	Remaining Lots Available
October 31, 2000:			
Northeast Region	15,957	1,149	14,808
North Carolina	2,731	215	2,516
Florida	1,070	45	1,025
Metro D. C.	5,583	215	5,368
California	2,591	151	2,440
Texas	2,380	282	2,098
Poland	1,490	39	1,451
	31,802	2,096	29,706
Owned	10,012	1,963	8,049
Optioned	21,790	133	21,657
Total	31,802	2,096	29,706
October 31, 1999:			
Northeast Region	13,370	1,125	12,245
North Carolina	3,253	207	3,046
Florida	1,185	37	1,148
Metro D. C.	3,230	149	3,081
California	2,474	129	2,345
Texas	2,595	261	2,334
Poland	701	13	688
	26,808	1,921	24,887

Owned	9,730	1,825	7,905
Optioned	17,078	96	16,982
Total	26,808	1,921	24,887

The following table summarizes our started or completed unsold homes in active, substantially completed and suspended communities:

	October 31, 2000			October 31, 1999		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region	133	48	181	114	31	145
North Carolina	102	31	133	129	--	129
Florida	--	--	--	5	--	5
Metro D.C.	6	7	13	13	9	22
California	136	32	168	53	10	63
Texas	238	8	246	225	28	253
Poland	58	--	58	14	--	14
Total	673	126	799	553	78	631

Financial Services - mortgage loans held for sale consist of residential mortgages receivable of which $61,549,000 and $32,844,000 at October 31, 2000 and October 31, 1999, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of mortgage loans held for sale are being held as an investment. 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 consists of collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations.

RESULTS OF OPERATIONS

Our operations consist primarily of residential housing development and sales in our Northeast Region (comprised primarily of New Jersey, southern New York state, and eastern Pennsylvania), in southeastern Florida, North Carolina, Metro D. C. (northern Virginia and Maryland), southern California, Texas and Poland. In addition, we provide financial services to our homebuilding customers.

Total Revenues

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

	Year Ended October 31, 2000	Year Ended October 31, 1999	Year Ended October 31, 1998
	(Dollars in Thousands)		
Homebuilding:			
Sale of homes	$ 196,913	$ 12,909	$163,837
Land sales and other revenues	(4,392)	1,998	(11,572)
Financial services	(1,384)	1,141	8,363
Collateralized mortgage financing	(50)	(164)	(171)
Other Operations		(6,893)	6,893
Total change	$ 191,087	$ 8,991	$167,350
Percent change	20.2%	1.0%	21.7%

Homebuilding

Compared to the same prior period, housing revenues increased $196.9 million or 21.7% for the year ended October 31, 2000, increased $12.9 million or 1.4% for the year ended October 31, 1999, and increased $163.8 million or

22.4% for the year ended October 31, 1998. Housing revenues 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:

	Year Ended October 31, 2000	Year Ended October 31, 1999	Year Ended October 31, 1998
	(Dollars in Thousands)		
Northeast Region (1):			
Housing Revenues	$ 561,422	$560,586	$595,873
Homes Delivered	1,939	2,063	2,530
North Carolina:			
Housing Revenues	$ 126,596	$145,153	$127,592
Homes Delivered	653	756	687
Florida:			
Housing Revenues	$ 19,114	$ 36,566	$ 44,168
Homes Delivered	74	159	241
Metro D.C.:			
Housing Revenues	$ 66,137	$ 45,493	$ 38,904
Homes Delivered	263	198	152
California:			
Housing Revenues	$ 143,729	$ 105,941	$ 82,546
Homes Delivered	480	514	457
Texas:			
Housing Revenues	$ 186,294	$ 13,184	--
Homes Delivered	914	66	--
Poland:			
Housing Revenues	$ 2,174	$ 1,630	$ 6,561
Homes Delivered	44	12	71
Totals:			
Housing Revenues	$1,105,466	$ 908,553	$895,644
Homes Delivered	4,367	3,768	4,138

(1) Fiscal years ended 2000 and 1999 include $63,940,000 and $31,961,000 housing revenues and 178 and 88 homes, respectively, from a New Jersey homebuilder acquired on August 7, 1999.

The increase in housing revenues was primarily due to a full year of operations in our Texas division, an increase of three communities in the Metro D. C. market, and an increase in the average sales price in California. The increased average sales price in California was due to a change in product mix to larger, more expensive homes. These increases were partially offset by decreased deliveries in the Northeast Region, North Carolina, and Florida. The decrease in deliveries in the Northeast Region was due to fewer selling communities open for sale, resulting in fewer deliveries during the year ended October 31, 2000. Although deliveries decreased in the Northeast Region, housing revenues slightly increased due to a 6.6% increase in average sales prices. The decrease in deliveries in North Carolina was attributed to a highly competitive market. In Florida, the deliveries decreased due to our decision to discontinue operations and have only one active community delivering homes. In fiscal 2001 we expect a significant increase in home deliveries and housing revenues due to the August 28, 2000 agreement to merge with Washington Homes, Inc., headquartered in Landover, Maryland.

Unaudited quarterly housing revenues and net sales contracts using base sales prices by market area for the years ending October 31, 2000, 1999, and 1998 are set forth below:

	Quarter Ended October 31, 2000	Quarter Ended July 31, 2000	Quarter Ended April 30, 2000	Quarter Ended January 31, 2000
	(In Thousands)			
Housing Revenues:				
Northeast Region	$188,770	$131,668	$113,732	$127,252
North Carolina	35,016	33,319	30,891	27,370
Florida	6,218	3,310	5,087	4,499
Metro D.C.	18,932	13,901	17,459	15,845
California	39,725	48,055	30,313	25,636
Texas	52,188	47,318	37,573	49,215
Poland	1,440	433	--	301

Total	$342,289	$278,004	$235,055	$250,118
Sales Contracts (Net of Cancellations):				
Northeast Region	$121,179	$115,649	$174,126	$109,040
North Carolina	29,317	32,338	33,980	26,892
Florida	3,759	3,974	10,557	3,134
Metro D. C.	20,354	23,459	25,144	13,449
California	43,551	41,350	52,114	23,839
Texas	51,251	54,708	46,671	39,830
Poland	812	438	128	1,059
Total	$270,223	$271,916	$342,720	$217,243

	Quarter Ended			
	October 31, 1999	July 31, 1999	April 30, 1999	January 31, 1999
	(In Thousands)			
Housing Revenues:				
Northeast Region (1)	$164,899	$142,503	$126,501	$126,683
North Carolina	47,251	38,269	30,553	29,080
Florida	9,012	9,690	9,531	8,333
Metro D.C.	15,541	11,400	6,005	12,547
California	37,290	24,792	26,548	17,311
Texas	13,184	--	--	--
Poland	282	417	--	931
Total	$287,459	$227,071	$199,138	$194,885
Sales Contracts (Net of Cancellations):				
Northeast Region (1)	$135,514	$111,083	$114,924	$ 90,163
North Carolina	25,757	33,078	50,673	31,111
Florida	2,532	4,471	9,050	11,530
Metro D.C.	12,246	14,338	16,201	11,077
California	36,197	37,788	24,135	17,817
Texas	5,416	--	--	--
Poland	698	172	--	482
Total	$218,360	$200,930	$214,983	$162,180

(1) Includes $31,961,000 housing revenues and $12,922,000 sales contracts in the quarter ended October 31, 1999 from a New Jersey homebuilder acquired on August 7, 1999.

	Quarter Ended			
	October 31, 1998	July 31, 1998	April 30, 1998	January 31, 1998
	(In Thousands)			
Housing Revenues:				
Northeast Region	$157,882	$162,847	$136,133	$139,011
North Carolina	38,997	34,655	28,264	25,676
Florida	11,291	8,111	15,254	9,512
Metro D.C.	16,687	11,256	4,843	6,118
California	22,980	18,832	17,613	23,121
Poland	2,283	2,199	1,460	619
Total	$250,120	$237,900	$203,567	$204,057
Sales Contracts (Net of Cancellations):				
Northeast Region	$114,144	$124,144	$188,082	$ 98,814
North Carolina	37,085	33,302	35,990	23,903
Florida	5,385	9,503	8,631	7,802
Metro D.C.	11,834	15,265	9,583	3,866
California	21,325	25,402	9,535	18,769
Poland	1,758	516	332	1,277
Total	$191,531	$208,132	$252,153	$154,431

Our contract backlog using base sales prices by market area is set forth below:

	October 31, 2000	October 31, 1999	October 31, 1998
	(Dollars in Thousands)		
Northeast Region (1):			
Total Contract Backlog........	$311,539	$286,149	$270,753
Number of Homes...............	1,149	1,125	1,132
North Carolina:			
Total Contract Backlog........	$ 40,635	$ 44,534	$ 48,713
Number of Homes...............	215	207	235
Florida:			
Total Contract Backlog........	$ 12,625	$ 8,705	$ 14,800
Number of Homes...............	45	37	73
Metro D.C.:			
Total Contract Backlog........	$ 52,339	$ 34,484	$ 26,083
Number of Homes...............	215	149	115
California:			
Total Contract Backlog........	$ 58,089	$ 34,313	$ 20,721
Number of Homes...............	151	129	119
Texas:			
Total Contract Backlog........	$ 61,703	$ 51,610	--
Number of Homes...............	282	261	--
Poland:			
Total Contract Backlog........	$ 1,616	$ 865	$ 746
Number of Homes...............	39	13	7
Totals:			
Total Contract Backlog........	$538,546	$460,660	$381,816
Number of Homes...............	2,096	1,921	1,681

(1) Fiscal years 2000 and 1999 include $42,708,000 and $38,832,000 total contract backlog and 116 and 123 number of homes, respectively, from a New Jersey homebuilder acquired on August 7, 1999.

We have written down or written off certain inventories totaling $1.8, $2.1, and $4.0 million during the years ended October 31, 2000, 1999, and 1998, respectively, to their estimated fair value. See "Notes to Consolidated Financial Statements - Note 11" for additional explanation. These writedowns and write-offs were incurred primarily because of lower property values, a change in the marketing strategy to liquidate a particular property, or the decision not to exercise an option.

During the year ended October 31, 2000 we wrote off land options including approval and engineering costs amounting to $1.8 million. We did not exercise those options because the communities' proforma profitability did not produce adequate returns on investment commensurate with the risk. Those communities were located in New Jersey, New York, North Carolina, and California.

During the year ended October 31, 1999 we wrote off one residential land option including approval and engineering costs amounting to $0.3 million. We did not exercise this option because the community's proforma profitability did not produce an adequate return on investment commensurate with the risk. In addition, we wrote down one land parcel in Florida, one residential community in New York and two residential communities in North Carolina. The Florida land parcel was written down based on recent purchase offers. The communities were written down based on our decision to discontinue selling homes and offer the remaining lots for sale. The result of the above decisions was a reduction in inventory carrying amounts to fair value, resulting in a $1.8 million impairment loss in accordance with FAS 121.

During the year ended October 31, 1998, we wrote down one Florida residential community and one New Jersey parcel of land for sale. In the Florida residential community, higher discounts were being offered to speed up sales. At the New Jersey land site, lots were being contracted at prices lower than anticipated. The result of the above decisions was a reduction in inventory carrying amounts to fair value, resulting in a $1.9 million impairment loss in accordance with FAS 121. We also wrote off three New Jersey residential land options including approval, engineering and capitalized interest costs amounting to $2.1 million. We did not exercise these options because of changes in local market conditions and difficulties in obtaining government approvals.

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:

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
	(Dollars In Thousands)		
Sale of homes..............	$1,105,466	$908,553	$895,644
Cost of sales..............	878,740	718,259	740,871
Housing gross margin.......	$ 226,726	$190,294	$154,773
Gross margin percentage....	20.5%	20.9%	17.3%

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

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
Sale of homes..............	100.0%	100.0%	100.0%
Cost of sales:			
Housing, land and development costs.......	71.3	71.0	74.8
Commissions..............	2.2	2.0	1.9
Financing concessions....	0.9	0.8	0.7
Overheads................	5.1	5.3	5.3
Total cost of sales........	79.5	79.1	82.7
Gross margin percentage....	20.5%	20.9%	17.3%

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 the communities and of home types delivered, consolidated gross margin will fluctuate up or down. During the year ended October 31, 2000, our gross margin percentage decreased 0.4% from the previous year. This decrease was primarily attributed to a full year of operations from our Texas division where they report lower margins. Excluding Texas, our consolidated gross margin percentage increased 0.3% to 21.3% from 21.0%. During the year ended October 31, 1999, our gross margin percentage increased 3.6% from the previous year. This can be attributed to higher gross margins being achieved in each of our markets. In 1999, the gross margin was negatively affected by a lower percentage of housing revenues from the Northeast Region amounting to 61.7% in fiscal 1999 compared to 66.5% in fiscal 1998. This is primarily the result of a higher percentage of deliveries coming from outside the Northeast Region where margins are historically lower.

Selling and general administrative expenses as a percentage of homebuilding revenues increased to 9.4% for the year ended October 31, 2000 and increased to 8.8% for the year ended October 31, 1999 from 7.4% for the year ended October 31, 1998. The dollar amount of selling and general expenses has increased the last two years to $104.8 million for the year ended October 31, 2000 from $81.4 million for the year ended October 31, 1999 which increased from $67.5 million for the previous year. The percentage and dollar increases in 2000 are primarily attributable to a full year of operations from our Texas division and increases in the number of active selling communities in California. The overall percentage and dollar increases in such expenses in 1999 were attributable to increases in all our markets but primarily due to fewer deliveries in our Northeast Region and due to Northeast Region and California administration cost increases.

Land Sales and Other Revenues

Land sales and other revenues consist primarily of land and lot sales, interest income, contract deposit forfeitures, cash discounts, national contract rebates, and corporate owned life insurance benefits.

A breakout of land and lot sales is set forth below:

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
	(In Thousands)		
Land and lot sales	$ 6,549	$12,077	$ 8,636
Cost of sales	3,971	11,766	8,070
Land and lot sales gross margin	$ 2,578	$ 311	$ 566

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.

Year ended October 2000 gross margin includes a legal settlement in California amounting to $1,924,000.

Financial Services

Financial services consists primarily of originating mortgages from our homebuyers, selling such mortgages in the secondary market, and title insurance activities. During the year ended 2000, financial services resulted in $0.5 million loss before income taxes. During the year ended October 31, 1999 and 1998 financial services provided a $1.0 and $2.1 million pretax profit, respectively. In the market areas served by our wholly-owned mortgage banking subsidiaries, approximately 54%, 57%, and 58% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the years ended October 31, 2000, 1999, and 1998, respectively. In addition in fiscal 2000 in our Texas division approximately 40% of our homebuying customers obtained mortgages from our mortgage joint venture. Our mortgage banking goals are to improve profitability by increasing the capture rate of our homebuyers to 70%. Most servicing rights on new mortgages originated by us will be sold as the loans are closed.

Collateralized Mortgage Financing

In the years prior to February 29, 1988 we pledged mortgage loans originated by our mortgage banking subsidiaries against collateralized mortgage obligations ("CMOs"). 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 includes 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 were 2.9%, 3.0%, and 2.2% for the years ended October 31, 2000, 1999, and 1998, respectively. The decrease in corporate general and administrative expenses in fiscal year 2000 was due to increase housing revenues and the adoption of SOP 98-1, "Accounting For the Cost of Computer Software Development For or Obtained for Internal Use." See "Notes to Consolidated Financial Statement - Note 2" for additional explanation. In 1999, the increase was primarily attributed to increased expenditures for long term improvement initiatives. Our long term improvement initiatives include total quality, process redesign (net of capitalized expenses), and training. Such initiatives resulted in additional expenses for the years ended October 31, 2000, 1999, and 1998 which were not capitalized amounting to $6.9 million, $7.5 million, and $3.8 million, respectively.

Interest

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

Year Ended

	October 31, 2000	October 31, 1999	October 31, 1998
	(In Thousands)		
Sale of homes..................	$ 34,541	$29,261	$ 33,771
Land and lot sales.............	415	1,082	652
Total..........................	$ 34,956	$30,343	$ 34,423

Housing interest as a percentage of sale of home revenues amounted to 3.1%, 3.2%, and 3.8% for the years ended October 31, 2000, 1999, and 1998, respectively.

Other Operations

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

Total Taxes

Total taxes as a percentage of income before income taxes amounted to 36.0%, 38.9%, and 36.7% for the years ended October 31, 2000, 1999, and 1998, respectively. 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. (See "Notes to Consolidated Financial Statements - Note 10" for an additional explanation of taxes.)

Extraordinary Loss

On June 7, 1999, we redeemed $45,449,000 of our outstanding 11 1/4% Subordinated Notes due 2002 at an average price of 101.875% of par which resulted in an extraordinary loss of $868,000 net of income taxes of $468,000. In October 1998, we redeemed $44,551,000 of our outstanding 11 1/4% Subordinated Notes due 2002 at an average price of 101.6% of par, which resulted in an extraordinary loss of $748,000 net of income taxes of $403,000.

Inflation

Inflation has a long-term effect on us because increasing costs of land, materials and labor result in increasing sales 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 inflationary risk faced by the housing industry generally is that rising housing 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 we sell homes, 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.

As previously announced we entered into a merger agreement with Washington Homes, Inc. on August 28, 2000. On January 23, 2001, the shareholders ratified the merger and as a result the merger closed the same day. We believe our line of credit is adequate to provide working capital for our Washington Homes operations. The addition of Washington Homes operations for slightly more than three full quarters of fiscal 2001 is expected to add approximately $.05 to $.10 per share to our net earnings. We expect total revenues to increase more than 40% in fiscal 2001 from fiscal 2000 levels, largely as a result of the merger with Washington Homes.

Safe Harbor Statement

Certain statements contained in this Form 10-K 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 this Form 10-K for the year ended October 31, 2000.

Item 7(A) - Quantitative and Qualitative Disclosures About Market Risk.

The primary market risk facing us is interest rate risk on our long term debt. In connection with our mortgage operations, mortgage loans held for sale and the associated mortgage warehouse line of credit are subject to interest rate risk; however, such obligations reprice frequently and are short-term in duration. In addition, we hedge the interest rate risk on mortgage loans by obtaining forward commitments from FNMA, FHLMC, GNMA securities and private investors. Accordingly the risk from mortgage loans is not material. We do not hedge interest rate risk other than on mortgage loans using financial instruments. We are also subject to foreign currency risk but this risk is not material. The following tables set forth as of October 31, 2000 and 1999, our long term debt obligations, principal cash flows by scheduled maturity, weighted average interest rates and estimated fair market value ("FMV"). There have been no significant changes in our market risk from October 31, 1999 to October 31, 2000.

As of October 31, 2000 for the Year Ended October 31,

	2001	2002	2003	2004	2005	Thereafter	Total	FMV @ 10/31/00
	(Dollars in Thousands)							
Long Term Debt(1):								
Fixed Rate.......	$11,797	$ 138	$2,594	$ 74	$ 81	$ 400,534	$415,218	$379,629
Average interest rate...........	4.63%	7.63%	7.04%	8.38%	8.38%	9.79%	9.63%	--

As of October 31, 1999 for the Year Ended October 31,

	2000	2001	2002	2003	2004	Thereafter	Total	FMV @ 10/31/99
	(Dollars in Thousands)							
Long Term Debt(1):								
Fixed Rate.......	$4,999	$ 132	$ 138	$2,585	$ 74	$250,613	$258,541	$246,164
Average interest rate...........	8.80%	7.60%	7.63%	7.04%	8.38%	9.37%	9.34%	--
Variable Rate....	$ 600	$ 927	--	--	--	--	$ 1,527	$ 1,527
Average interest rate...........	6.00%	8.75%	--	--	--	--	7.67%	--

(1) Does not include bonds collateralized by mortgages receivable.

Item 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements of Hovnanian Enterprises, Inc. and its consolidated subsidiaries are set forth herein beginning on Page F-1.

Item 9 - CHANGES IN OR DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the years ended October 31, 2000, 1999, and 1998, there have not been any changes in or disagreements with accountants on accounting and financial disclosure.

PART III

Item 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item l0, except as set forth below under the heading "Executive Officers of the Registrant", is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held on March 8, 2001, which will involve the election of directors.

Executive Officers of the Registrant

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

Name	Age	Position	Year Started With Company
Kevork S. Hovnanian	77	Chairman of the Board and Director of the Company.	l967
Ara K. Hovnanian	43	Chief Executive Officer, President and Director of the Company.	1979
Paul W. Buchanan	50	Senior Vice President-Corporate Controller and Director of the Company.	l981
William L. Carpitella	46	Senior Vice President, Organizational Development	1997
Kevin C. Hake	41	Vice President, Finance and Treasurer	2000
Peter S. Reinhart	50	Senior Vice President and General Counsel and Director of the Company.	1978
J. Larry Sorsby	45	Executive Vice President and Chief Financial Officer and Director of the Company	1988

Mr. K. Hovnanian founded the predecessor of the Company in l959 (Hovnanian Brothers, Inc.) and has served as Chairman of the Board of the Company since its incorporation in l967. Mr. K. Hovnanian was also Chief Executive Officer of the Company from 1967 to July 1997.

Mr. A. Hovnanian was appointed President in April 1988, after serving as Executive Vice President from March 1983. He has also served as Chief Executive Officer since July 1997. Mr. A. Hovnanian was elected a Director of the Company in December l98l. Mr. A. Hovnanian is the son of Mr. K. Hovnanian.

Mr. Buchanan has been Senior Vice President-Corporate Controller since May l990. Mr. Buchanan was elected a Director of the Company in March l982.

Mr. Carpitella joined the Company in September 1997 as Senior Vice President, Organizational Development. Prior to joining the Company Mr. Carpitella was Vice President, Human Resources for a division of Pulte Home Corp. from April 1995 to August 1997. From February 1992 Mr. Carpitella was Vice President Human Resources for Geo. J. Ball Co.

Mr. Reinhart has been Senior Vice President and General Counsel since April 1985. Mr. Reinhart was elected a Director of the Company in December l98l.

Mr. Sorsby was appointed Executive Vice President and Chief Financial Officer of the Company in October 2000 after serving as Senior Vice President, Treasurer, and Chief Financial Officer from February 1996 and as Vice President-Finance/Treasurer of the Company since March 1991.

Mr. Hake joined the Company in July 2000 as Vice President, Finance and Treasurer. Prior to joining the Company, Mr. Hake was Director, Real Estate Finance at BankBoston Corporation from 1994 to June 2000.

Item 11 - EXECUTIVE COMPENSATION

The information called for by Item ll is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation l4A, in connection with our annual meeting of shareholders to be held on March 8, 2001, which will involve the election of directors.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item l2 is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation l4A, in connection with our annual meeting of shareholders to be held on March 8, 2001, which will involve the election of directors.

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item l3 is incorporated herein by reference to our definitive proxy statement with the exception of the information regarding certain relationships as described below to be filed pursuant to Regulation l4A, in connection with our annual meeting of shareholders to be held on March 8, 2001, which will involve the election of directors.

The weighted average interest rate on Mr. K. Hovnanian and Mr. A. Hovnanian related party debt was 5.87%, 4.62%, and 5.03% for the years ended October 31, 2000, 1999, and 1998, respectively. The largest amount of debt outstanding held by Mr. K. Hovnanian for the years ending October 31, 2000, 1999, and 1998 was $386,000, $1,026,000, and zero, respectively. The largest amount of debt outstanding held by Mr. A. Hovnanian for the years ending October 31, 2000, 1999, and 1998 was $3,124,000, $2,407,000, and $2,092,000, respectively. The interest rate on six month Treasury bills at October 31, 2000, 1999, and 1998 was 6.08%, 5.12%, and 4.46%. During the years ended October 31, 2000, 1999, and 1998, we received $85,000, $80,000, and $67,000, respectively, from our affected partnerships.

PART IV

Item 14 - EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Financial Statements:

No schedules are applicable to us or have been omitted because the required information is included in the financial statements or notes thereto.

Exhibits:

3(a) Certificate of Incorporation of the Registrant.(1)
3(b) Certificate of Amendment of Certificate of Incorporation of the Registrant.(6)
3(c) Bylaws of the Registrant.(6)
4(a) Specimen Class A Common Stock Certificate.(6)
4(b) Specimen Class B Common Stock Certificate.(6)
4(c) Indenture dated as of May 28, 1993, relating to 9 3/4% Subordinated Notes between Registrant and First Fidelity Bank, National Association, New Jersey, as Trustee, including form of 9 3/4% Subordinated Note due 2005.(4)
4(d) Indenture dated as of May 4, 1999, relating to 9 1/8% Senior Notes between the Registrant and First Fidelity Bank, including form of 9 1/8% Senior Notes due May 1, 2009.(7)
4(e) Indenture dated as of October 2, 2000, relating to 10 1/2% SeniorNotes between the Registrant and First Union National Bank, including form of 10 1/2% Senior Notes due October 1, 2007.
10(a) Second Amended and Restated Credit Agreement dated February 22, 2000 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain subsidiaries Thereof, PNC Bank, National Association, First Union National Bank, BankBoston, National Association, Bank of America, National Association,

Bank One, National Association, Comerica Bank, Guaranty Federal Bank, F.S.B., AmSouth Bank, Bank United and Sun Trust Bank. (8)

10(b) Description of Management Bonus Arrangements.(6)

10(c) Description of Savings and Investment Retirement Plan.(1)

10(d) 1999 Stock Incentive Plan (9).

10(e) 1983 Stock Option Plan (as amended and restated May 4, 1990, and amended through May 14, 1998).(10)

10(f) Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(1)

10(g) Agreement dated July 8, 1981 between Hovnanian Properties of Atlantic County, Inc. and Kevork S. Hovnanian.(2)

10(h) Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc.(3)

10(i) Description of Deferred Compensation Plan.(5)

10(j) Senior Executive Short-Term Incentive Plan.(11)

12 Ratio of Earnings to Fixed Charges

21 Subsidiaries of the Registrant.

23 Consent of Independent Auditors

(1) Incorporated by reference to Exhibits to Registration Statement (No. 2-85198) on Form S-1 of the Registrant.

(2) Incorporated by reference to Exhibits to Registration Statement (No. 33-46064) on Form S-3 of the Registrant.

(3) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1986 of the Registrant.

(4) Incorporated by reference to Exhibits to Registration Statement (No. 33-61778) on Form S-3 of the Registrant.

(5) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1990 of the Registrant.

(6) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1994 of the Registrant.

(7) Incorporated by reference to Exhibits to Registration Statement (No. 333-75939) on Form S-3 of the Registrant.

(8) Incorporated by reference to Exhibits to Quarterly Report on Form 10Q for the quarter ended April 30, 2000 of the Registrant.

(9) Incorporated by the Proxy Statement of the Registrant Filed on Schedule 14A dated January 15, 1999.

(10) Incorporated by reference to Annex A of the Proxy Statement of the Registrant filed on Schedule 14A dated January 26, 2000.

(11) Incorporated by reference to Annex B of the Proxy Statement of the Registrant files on Schedule 14A dated January 26, 2000.

Reports on Form 8-K

(i) On August 28, 2000 the Company filed a report on Form 8-K to regarding its announcement that it and Washington Homes, Inc. had entered into an agreement and Plan of Merger.

(ii) On September 20, 2000 the Company filed a report on Form 8-K regarding the offering of $150 million of Senior Notes due 2007.

SIGNATURES

Pursuant to the requirements of Section l3 or l5(d) of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hovnanian Enterprises, Inc.
By:

/S/KEVORK S. HOVNANIAN
Kevork S. Hovnanian
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of l934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

/S/KEVORK S. HOVNANIAN Kevork S. Hovnanian	Chairman of The Board and Director	1/26/01
/S/ARA K. HOVNANIAN	Chief Executive Officer,	1/26/01

Ara K. Hovnanian	President and Director	
/S/PAUL W. BUCHANAN Paul W. Buchanan	Senior Vice President Corporate Controller and Director	1/26/01
/S/PETER S. REINHART Peter S. Reinhart	Senior Vice President and General Counsel and Director	1/26/01
/S/J. LARRY SORSBY J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	1/26/01
/S/WILLIAM L. CARPITELLA William L. Carpitella	Senior Vice President, Organizational Development	1/26/01
/S/KEVIN C. HAKE Kevin C. Hake	Vice President, Finance and Treasurer	1/26/01

HOVNANIAN ENTERPRISES, INC.

Index to Consolidated Financial Statements

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

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of Hovnanian Enterprises, Inc. and subsidiaries as of October 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hovnanian Enterprises, Inc. and subsidiaries at October 31, 2000 and 1999 and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2000 in conformity with accounting principles generally accepted in the United States.

/S/Ernst & Young LLP

New York, New York
December 13, 2000, except for Note 15, paragraph 4,
as to which the date is January 23, 2001

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

ASSETS	October 31, 2000	October 31, 1999
Homebuilding:		
Cash and cash equivalents(Note 5).................	$ 40,131	$ 17,163
Inventories - At the lower of cost or fair value (Notes 7 and 11):		
Sold and unsold homes and lots under development..................................	525,116	475,196
Land and land options held for future development or sale...........................	89,867	52,034
Total Inventories............................	614,983	527,230
Receivables, deposits, and notes (Note 12)........	36,190	30,675
Property, plant, and equipment - net (Note 4).....	35,594	26,500
Senior residential rental properties - net (Notes 4 and 7)...	10,276	10,650
Prepaid expenses and other assets (Note 15).......	64,897	56,753
Total Homebuilding...........................	802,071	668,971
Financial Services:		
Cash...	3,122	2,202
Mortgage loans held for sale (Notes 6 and 7)......	61,860	33,158
Other assets.....................................	2,145	1,563
Total Financial Services......................	67,127	36,923
Collateralized Mortgage Financing:		
Collateral for bonds payable (Note 6)............	4,145	5,006
Other assets.....................................	198	238
Total Collateralized Mortgage Financing.......	4,343	5,244
Income Taxes Receivable - Including deferred tax benefits (Note 10)...............................		1,723
Total Assets......................................	$873,541	$712,861

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	October 31, 2000	October 31, 1999
Homebuilding:		
Nonrecourse land mortgages (Note 7)	$ 18,166	$ 6,407
Accounts payable and other liabilities	82,205	73,989
Customers' deposits (Note 5)	31,475	25,647
Nonrecourse mortgages secured by operating properties (Note 7)	3,554	3,662
Total Homebuilding	135,400	109,705
Financial Services:		
Accounts payable and other liabilities	2,078	1,218
Mortgage warehouse line of credit (Notes 6 and 7)	56,486	30,034
Total Financial Services	58,564	31,252
Collateralized Mortgage Financing:		
Bonds collateralized by mortgages receivable (Note 6)	3,007	3,699
Total Collateralized Mortgage Financing	3,007	3,699
Notes Payable:		
Revolving credit agreement (Note 7)		70,125
Senior notes (Note 8)	296,430	150,000
Subordinated notes (Note 8)	100,000	100,000
Accrued interest	12,709	11,654
Total Notes Payable	409,139	331,779
Income Taxes Payable (Note 10)	4,072	
Total Liabilities	610,182	476,435
Commitments and Contingent Liabilities (Notes 5, 9, 14 and 15)		
Stockholders' Equity (Notes 13 and 15):		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 17,309,369 shares in 2000 and 17,218,442 shares in 1999 (including 3,736,921 shares in 2000 and 2,710,274 shares in 1999 held in Treasury)	173	172
Common Stock,Class B,$.01 par value (convertible to Class A at time of sale) -authorized 13,000,000 shares; issued 7,978,903 shares in 2000 and 7,997,083 shares in 1999 (both years include 345,874 shares held in Treasury)	79	79
Paid in Capital	46,086	45,856
Retained Earnings (Note 8)	246,420	213,257
Treasury Stock - at cost	(29,399)	(22,938)
Total Stockholders' Equity	263,359	236,426
Total Liabilities and Stockholders' Equity	$873,541	$712,861

See notes to consolidated financial statements.

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

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
Revenues:			
Homebuilding:			
Sale of homes	$1,105,466	$ 908,553	$ 895,644
Land sales and other revenues (Notes 12 and 14)	13,017	17,409	15,411

Total Homebuilding	1,118,483	925,962	911,055
Financial Services	18,855	20,239	19,098
Collateralized Mortgage Financing	469	519	683
Other Operations			6,893
Total Revenues	1,137,807	946,720	937,729
Expenses:			
Homebuilding:			
Cost of sales	882,711	730,025	748,941
Selling, general and administrative	104,771	81,396	67,519
Inventory impairment loss (Note 11)	1,791	2,091	3,994
Total Homebuilding	989,273	813,512	820,454
Financial Services	19,334	19,195	17,010
Collateralized Mortgage Financing	416	504	672
Corporate General and Administrative(Note 3)	33,309	28,652	21,048
Interest (Notes 7 and 8)	34,956	30,343	34,423
Other operations	8,701	3,897	2,830
Total Expenses	1,085,989	896,103	896,437
Income Before Income Taxes and Extraordinary Loss	51,818	50,617	41,292
State and Federal Income Taxes:			
State (Note 10)	2,495	5,093	3,572
Federal (Note 10)	16,160	14,581	11,569
Total Taxes	18,655	19,674	15,141
Extraordinary Loss From Extinguishment of Debt, Net of Income Taxes (Note 8)		(868)	(748)
Net Income	$ 33,163	$ 30,075	$ 25,403
Per Share Data:			
Basic:			
Income Per Common Share Before Extraordinary Loss	$ 1.51	$ 1.45	$ 1.20
Extraordinary Loss		(.04)	(.03)
Income	$ 1.51	$ 1.41	$ 1.17
Weighted Average Number of Common Shares Outstanding	21,933	21,404	21,781
Assuming Dilution:			
Income Per Common Share Before Extraordinary Loss	$ 1.50	$ 1.43	$ 1.19
Extraordinary Loss		(.04)	(.03)
Income	$ 1.50	$ 1.39	$ 1.16
Weighted Average Number of Common Shares Outstanding	22,043	21,612	22,016

See notes to consolidated financial statements

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

	A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, October 31, 1997	14,097,841	$ 156	7,754,812	$ 81	$33,935	$157,779	$(13,189)	$ 178,762
Sale of common stock under employee stock option plan	114,667				626			626
Conversion of Class B to								

Class A common stock......	60,515	1	(60,515)	(1)				
Treasury stock purchases....	(407,100)						(3,399)	(3,399)
Net Income..................						25,403		25,403
Balance, October 31, 1998...	13,865,923	157	7,694,297	80	34,561	183,182	(16,588)	201,392
Sale of common stock under employee stock option plan......................	10,000	1			58			59
Acquisitions................	1,362,057	13			11,237			11,250
Conversion of Class B to Class A common stock......	43,088	1	(43,088)	(1)				
Treasury stock purchases....	(772,900)						(6,350)	(6,350)
Net Income..................						30,075		30,075
Balance, October 31, 1999...	14,508,168	172	7,651,209	79	45,856	213,257	(22,938)	236,426
Acquisitions................	47,619	1			(270)			(269)
Stock option plan...........					346			346
Stock bonus plan............	25,128				154			154
Conversion of Class B to Class A common stock......	18,180		(18,180)					
Treasury stock purchases....	(1,026,647)						(6,461)	(6,461)
Net Income						33,163		33,163
Balance, October 31, 2000...	13,572,448	$ 173	7,633,029	$ 79	$46,086	$246,420	$(29,399)	$ 263,359

See notes to consolidated financial statements.

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

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
Cash Flows From Operating Activities:			
Net Income....................................	$ 33,163	$ 30,075	$ 25,403
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation..............................	6,423	6,314	4,293
Amortization of Goodwill..................	2,513	261	134
(Gain) loss on sale and retirement of property and assets......................	(728)	283	(6,189)
Extraordinary loss from extinguishment of Debt net of income taxes.................		868	748
Deferred income taxes.....................	2,551	3,056	1,987
Impairment losses.........................	1,791	2,091	5,032
Decrease (increase) in assets:			
Mortgage notes receivable................	(27,703)	46,012	(17,343)
Receivables, prepaids and other assets....	(13,256)	(9,736)	6,276
Inventories.............................	(89,544)	(53,592)	30,666
Increase (decrease) in liabilities:			
State and Federal income taxes...........	3,244	3,020	3,651
Customers' deposits......................	6,240	(1,269)	1,490
Interest and other accrued liabilities....	8,222	9,203	2,235
Post development completion costs.........	(2,555)	3,293	4,438
Accounts payable.........................	8,994	(4,400)	2,233
Net cash (used in) provided by operating activities...................	(60,645)	35,479	65,054
Cash Flows From Investing Activities:			
Net proceeds from sale of property and assets...	1,517	18,251	26,592
Purchase of property, equipment, and other fixed assets...............................	(15,607)	(13,381)	(3,135)
Acquisition of homebuilding companies...........	(3,845)	(12,249)	
Investment in and advances to unconsolidated affiliates.................................		249	243
Net cash (used in) provided by investing activities...................	(17,935)	(7,130)	23,700
Cash Flows From Financing Activities:			
Proceeds from mortgages and notes..............	1,433,150	850,320	632,531
Proceeds from senior debt......................	146,430	150,000	
Principal payments on mortgages and notes.....	(1,470,805)	(972,265)	(668,987)
Principal payments on subordinated debt.........		(46,302)	(45,284)
Purchase of treasury stock.....................	(6,461)	(6,350)	(3,399)
Proceeds from sale of stock and employee stock			

plan	154	59	626
Net cash provided by (used in) financing activities	102,468	(24,538)	(84,513)
Net Increase In Cash	23,888	3,811	4,241
Cash and Cash Equivalents Balance, Beginning Of Year	19,365	15,554	11,313
Cash and Cash Equivalents Balance, End Of Year	$ 43,253	$ 19,365	$ 15,554
Supplemental Disclosures Of Cash Flow:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 33,814	$ 23,731	$ 35,315
Income Taxes	$ 12,858	$ 16,395	$ 12,303
Non-cash Investing and Finance Activities:			
Debt assumed on sale of property and assets			$ 13,530
Stock issued for acquisitions/extension of options granted	$ 721	$ 11,250	

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2000, 1999, AND 1998.

1. BASIS OF PRESENTATION AND SEGMENT INFORMATION

Basis of Presentation - The accompanying consolidated financial statements include our accounts and all wholly-owned subsidiaries after elimination of all significant intercompany balances and transactions.

Segment Information - Statement of Financial Accounting Standards No. 131("FAS 131") "Disclosures About Segments of an Enterprise and Related Information" established new standards for segment reporting based on the way managementorganizes segments within a company for making operating decisions and assessing performance. Our financial reporting segments consist of homebuilding, financial services, collateralized mortgage financing, and corporate. Our homebuilding operations comprise the most substantial part of our business, with approximately 98% of consolidated revenues in years ended October 31, 2000 and 1999 and approximately 97% in the year ended October 31, 1998 contributed by the homebuilding operations. We are a Delaware corporation, currently building and selling homes in more than 120 new home communities in New Jersey, Pennsylvania, New York, North Carolina, Virginia, California, Texas, Maryland, Florida, and Poland. We offer a wide variety of homes that are designed to appeal to first time buyers, first and second time move up buyers, luxury buyers, active adult buyers and empty nesters. Our financial services operations provide mortgage banking and title services primarily to the homebuilding operations' customers. We do not retain or service the mortgages that we originate but rather, sell the mortgages and related servicing rights to investors. Corporate primarily includes the operations of our corporate office whose primary purpose is to provide information services, human resources, management reporting, training, cash management, internal audit, risk management, and administration of process redesign, quality and safety. Assets, liabilities, revenues and expenses of our reportable segments are separately included in the consolidated balance sheets and consolidated statements of income.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - 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.

Business Combinations - When we make an acquisition of another company, we use the purchase method of accounting in accordance with Accounting Principal Board Opinion 16 ("APB 16") "Business Combinations". Under APB 16 we record as our cost the acquired assets less liabilities assumed. Any difference between the cost of an acquired company and the sum of the fair values of tangible and identified intangible assets less liabilities is recorded as goodwill. The reported income of an acquired company includes the operations of the acquired company after acquisition, based on the acquisition costs.

Income Recognition - Income from home sales is recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the transaction.

Cash and Cash Equivalents - Cash and cash equivalents include cash deposited in checking accounts, overnight repurchase agreements, certificates of deposit, Treasury bills and government money market funds with original maturities of 90 days or less when purchased.

Fair Value of Financial Instruments - The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Our financial instruments consist of cash equivalents, mortgages and notes receivable, mortgages and notes payable, and the senior andsubordinated notes payable. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

Inventories - For inventories of communities under development, a loss is recorded when events and circumstances indicate impairment and the undiscounted future cash flows generated are less than the related carrying amounts. The impairment loss is based on expected revenue, cost to complete including interest, and selling costs. Inventories and long-lived assets held for sale are recorded at the lower of cost or fair value less selling costs. Fair value is defined in Statement of Financial Accounting Standard No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS 121") as the amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Construction costs are accumulated during the period of construction and charged to cost of sales under specific identification methods. Land, land development, and common facility costs are allocated based on buildable acres to product types within each community, then amortized equally based upon the number of homes to be constructed in the community.

Interest costs related to properties under development are capitalized during the land development and home construction period and expensed along with the associated cost of sales as the related inventories are sold (see Note 7).

The cost of land options is capitalized when incurred and either included as part of the purchase price when the land is acquired or charged to operations when we determine we will not exercise the option.

Intangible Assets - Any intangible assets acquired by us are amortized on a straight line basis over its useful life. Goodwill resulting from company acquisitions during the year ended October 31, 1999 is being amortized over 5 to 10 years and reported in the consolidated statements of income as "Other Operations". During the years ended October 31, 2000, 1999, and 1998, goodwill amortization amounted to $2,513,000, $261,000, and $134,000, respectively. The carrying amountof goodwill is reviewed if facts and circumstances suggest that it may be impaired. If this review indicates that goodwill will not be recoverable, as determined based on the estimated undiscounted cash flows of the company acquired over the remaining amortization period, the carrying amount of the goodwill is reduced by the estimated shortfall of cash flows. In addition, we assess long-lived assets for impairment under FAS 121. Under those rules, goodwill associated with assets acquired in a purchase business combination is included in impairment evaluations when events or circumstances exist that indicate the carrying amount of those assets may not be recoverable. Total accumulated amortization at October 31, 2000 and 1999 was $3,815,000 and $1,302,000, respectively.

Deferred Bond Issuance Costs - Costs associated with the issuance of our Senior and Subordinated Notes are capitalized and amortized over the associated term of each note issuance into other operations on the consolidated statementsof income.

Debt Issued At a Discount - Debt issued at a discount to the face amount is accredited back up to its face amount utilizing the effective interest method over the term of the note and recorded as a component of Interest on the consolidated statements of income.

Post Development Completion Costs - In those instances where a developmentis substantially completed and sold and we have additional construction work to be incurred, an estimated liability is provided to cover the cost of such work.

Advertising Costs - Advertising costs are treated as period costs and expensed as incurred. During the years ended October 31, 2000, 1999, and 1998,advertising costs expensed amounted to $14,418,000, $11,995,000, and $10,531,000, respectively.

Deferred Income Tax - Deferred income taxes or income tax benefits are provided for temporary differences between amounts recorded for financial reporting and for income tax purposes.

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

On March 16, 2000, our Board of Directors approved an increase in the stock repurchase plan to purchase up to 4 million shares. The 4 million shares equals 17.0% of our total and outstanding shares as of December 16, 1996 when the initial repurchase plan was approved by the Board. As of October 31, 2000, 3,391,047 shares have been repurchased under this program.

Depreciation - The straight-line method is used for both financial and tax reporting purposes for all assets.

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

Stock Options - Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" establishes a fair value-based method of accounting for stock-based compensation plans, including stock options. Registrants may elect to continue accounting for stock option plans under Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," but are required to provide proforma net income and earningsper share information "as if" the new fair value approach had been adopted. We intend to continue accounting for our stock option plan under APB 25. Under APB 25, no compensation expense is recognizedwhen the exercise price of our employee stock options equals the market price of the underlying stock on the date of grant (see Note 13).

Per Share Calculations - Statement of Financial Accounting Standards No. 128 ("FAS 128") "Earnings Per Share" requires the presentation of basicearnings per share and diluted earnings per share, and is effective for annual periods ending after December 15, 1997. We adopted FAS 128 in the year ended October 31, 1998. Basic earnings per common share is computed using the weighted average number of shares outstanding and is the same calculation as reported in prior years. Basic weighted average shares outstanding at October 31, 2000, 1999, and 1998 amounted to 21,933,022 shares, 21,404,473 shares, and 21,781,105 shares, respectively. Diluted earnings per common share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock of 110,000, 208,000, and 235,000 for the years ended October 31, 2000, 1999, and 1998, respectively.

Computer Software Development - On November 1, 1999 we adopted SOP-98-1, Accounting For the Costs of Computer Software Developed For or Obtained For Internal Use. The SOP-98-1 requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use.Prior to the adoption of SOP-98-1, we expensed such internal use software related costs as incurred. The effect of adopting SOP-98-1 was to increase net income for the year ended October 31, 2000 by $2,570,000 or $0.12 pershare.

Accounting Pronouncement Not Yet Adopted - The FASB issued Statement No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133. The Statement deferred for one year the effective date of FASB Statement No. 133, Accounting for Derivatives Instruments and Hedging Activities. We adopted

FAS 133 and 137 on November 1,2000. We do not currently utilize derivatives, and do not anticipate that the adoption of the new statement will have a significant effect on earnings or the financial position of our Company.

Reclassifications - Certain amounts in the 1999 and 1998 consolidated financial statements have been reclassified to conform to the 2000 presentation.

3. CORPORATE INITIATIVES

We have embarked on long term improvement initiatives of total quality, process redesign, and training. Included in Corporate General and Administrativeis $6,902,000, $7,502,000, and $3,756,000 for the years ended October 31, 2000, 1999, and 1998, respectively, related to such initiatives. These amounts are in addition to software development costs capitalized in those years.

4. PROPERTY

Homebuilding property, plant, and equipment consists of land, land improvements, buildings, building improvements, furniture and equipment used to conduct day to day business. Homebuilding accumulated depreciation related tothese assets at October 31, 2000 and October 31, 1999 amounted to $22,164,000 and $19,550,000, respectively. In addition we have two senior citizen residential rental communities. Accumulated depreciation on rental property at October 31, 2000 and October 31, 1999 amounted to $2,294,000 and $2,211,000, respectively.

5. ESCROW CASH

We hold escrow cash amounting to $3,424,000 and $5,578,000 at October 31, 2000 and October 31, 1999, respectively, which primarily represents customers'deposits which are restricted from use by us. We are able to release escrow cash by pledging letters of credit and surety bonds. Escrow cash accounts are substantially invested in short-term certificates of deposit, time deposits,or money market accounts.

6. MORTGAGES AND NOTES RECEIVABLE

Our wholly-owned mortgage banking subsidiary originates mortgage loans, primarily from the sale of our homes. Such mortgage loans are sold in the secondary mortgage market, servicing released, or prior to February 28, 1987 pledged against, collateralized mortgage obligations ("CMOs"). At October 31,2000 and 1999, respectively, $61,549,000 and $32,844,000 of such mortgages were pledged against our mortgage warehouse line (see Note 7). We may incur risk with respect to mortgages that are delinquent and not pledged against CMOs, but only to the extent the losses are not covered by mortgage insurance or resale value of the home. Historically, we have incurred minimal credit losses. The mortgage loans held for sale are carried at the lower of cost or market value, determined on an aggregate basis. There was no valuation adjustment at October 31, 2000.

7. MORTGAGES AND NOTES PAYABLE

Substantially all of the nonrecourse land mortgages are short-term borrowings. Nonrecourse mortgages secured by operating properties are installment obligations having annual principal maturities in the following years ending October 31, of approximately $132,000 in 2001, $138,000 in 2002, $2,595,000 in 2003, $75,000 in 2004, $81,000 in 2005 and $533,000 after 2005. The interest rates on these obligations range from 7.000% to 8.375%.

We have an unsecured Revolving Credit Agreement ("Agreement") with a group of banks which provides up to $375,000,000 through July 2003. Interest is payable monthly and at various rates of either prime plus .25%or LIBOR plus 1.70%. In addition, we pay a fee equal to .325% per annum on the weighted average unused portion of the line.

Interest costs incurred, expensed and capitalized were:

Year Ended

	October 31, 2000	October 31, 1999	October 31, 1998
	(Dollars in Thousands)		
Interest capitalized at beginning of year..............	$21,966	$25,545	$35,950
Plus acquired entity interest....		3,397	
Plus interest incurred(1)(3).....	38,878	24,594	28,947
Less interest expensed(3)........	34,956	30,343	34,423
Less impairment write-off........	194		460
Less sale of assets..............		1,227	4,469
Interest capitalized at end of year(2)(3)..............	$25,694	$21,966	$25,545

(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 or when land is not under active development, and interest incurred and expensed on operating properties and senior residential rental properties.

Average interest rates and average balances outstanding for short-term debt are as follows:

	October 31, 2000	October 31, 1999	October 31, 1998
	(Dollars In Thousands)		
Average outstanding borrowings.................	$128,788	$ 55,495	$ 98,090
Average interest rate during period.....................	10.0%	9.2%	8.4%
Average interest rate at end of period(1)...............	8.4%	7.2%	6.9%
Maximum outstanding at any month end..................	$170,800	$117,085	$125,325

(1) Average interest rate at the end of the period excludes any charges on unused loan balances.

In addition, we have a secured mortgage loan warehouse agreement with a group of banks which provides up to $70,000,000 through July 26, 2001. Interest is payable monthly and at various rates. The interest rate at October 31, 2000 was 8.0%.

8. SENIOR AND SUBORDINATED NOTES

On April 29, 1992, we issued $100,000,000 principal amount of 11 1/4% Subordinated Notes due April 15, 2002. In October 1998, we redeemed $44,551,000 principal amount at an average price of 101.6% of par. The funds were provided by the revolving credit agreement and resulted in an extraordinary loss of $748,000 net of an income tax benefit of $403,000. In June 1999, we redeemed the remaining $45,449,000 principal amount at an average price of 101.875% of par. The funds for this redemption were provided by the issuance of Senior Notes and resulted in an extraordinary loss of $868,000 net of an income tax benefit of $468,000.

On June 7, 1993, we issued $100,000,000 principal amount of 9 3/4% Subordinated Notes due June 1, 2005. Interest is payable semi-annually. The notes are redeemable in whole or in part at our option, initially at 104.875% of their principal amount on or after June 1, 1999 and reducing to 100% of their principal amount on or after June 1, 2002.

On May 4, 1999, we issued $150,000,000 principal amount of 9 1/8% Senior Notes due May 1, 2009. Interest is payable semi-annually. The notes are redeemable in whole or in part at our option, initially at 104.563% of their principal amount on or after May 1, 2004 and reducing to 100% of their principal amount on or after May 1, 2007.

On October 2, 2000, we issued $150,000,000 principal amount of 10 1/2% Senior Notes due October 1, 2007. The 10 1/2%

Senior Notes were issued at a discount to yield 11% and have been reflected net of the unamortized discount in the accompanying consolidated balance sheet. Interest is payable semi-annually. The notes are redeemable in whole or in part at our option at 100% of their principal amount upon payment of a make-whole price.

The indentures relating to the Senior and Subordinated Notes and the Revolving Credit Agreement contain restrictions on the payment of cash dividends. At October 31, 2000, $45,765,000 of retained earnings were free of such restrictions.

The fair value of both the Senior Notes and Subordinated Notes is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities. The fair value of the Senior Notes and Subordinated Notes is estimated at $271,500,000 and $94,000,000, respectively, as of October 31, 2000.

9. RETIREMENT PLAN

In December 1982, we established a defined contribution savings and investment retirement plan. Under such plan there are no prior service costs. All associates are eligible to participate in the retirement plan and employer contributions are based on a percentage of associate contributions. Plan costs charged to operations amount to $2,948,000, $2,760,000, and $1,523,000 for the years ended October 31, 2000, 1999, and 1998, respectively.

10. INCOME TAXES

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

	October 31, 2000	October 31, 1999
	(In Thousands)	
State income taxes:		
Current	$ 1,552	$ 437
Deferred	163	(758)
Federal income taxes:		
Current	5,519	4,311
Deferred	(3,162)	(5,713)
Total	$ 4,072	$ (1,723)

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

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
	(In Thousands)		
Current income tax expense:			
Federal(1)	$ 13,609	$ 13,253	$ 9,177
State(2)	1,574	4,954	3,484
	15,183	18,207	12,661
Deferred income tax expense:			
Federal	2,551	860	1,989
State	921	139	88
	3,472	999	2,077
Total	$ 18,655	$ 19,206	$ 14,738

(1) The current federal income tax expense includes a tax benefit of $468,000 and $403,000 in the years ended October 31, 1999 and 1998, respectively, relating to the loss on the redemption of Subordinated Notes that was reported as an extraordinary item in the "Statements of Income."

(2) The current state income tax expense is net of the use of state loss carryforwards amounting to $21,330,000, $5,860,000, and

$8,495,000 for the years ended October 31, 2000, 1999, and 1998.

The deferred tax liabilities or assets have been recognized in the consolidated balance sheets due to temporary differences as follows:

	October 31, 2000	October 31, 1999
	(In Thousands)	
Deferred tax assets:		
Deferred income......................	$ --	$ 40
Maintenance guarantee reserves.......	740	711
Inventory impairment loss............	1,785	2,545
Uniform capitalization of overhead...	6,008	3,365
Post development completion costs....	3,194	4,238
State net operating loss carryforwards......................	30,916	29,440
Other................................	2,970	1,378
Total..............................	45,613	41,717
Valuation allowance(3)...............	(30,916)	(29,440)
Deferred tax assets..................	14,697	12,277
Deferred tax liabilities:		
Deferred interest....................	31	31
Installment sales....................	96	137
Accelerated depreciation.............	3,965	2,916
Acquisition goodwill.................	2,279	2,722
Software development expenses........	5,327	--
Total..............................	11,698	5,806
Net deferred tax assets................	$ 2,999	$ 6,471

(3) The net change in the valuation allowance of $1,476,000 results from an increase in the separate company state net operating losses that may not be fully utilized.

The effective tax rates varied from the expected rate. The sources of these differences were as follows:

	Year Ended		
	October 31, 2000	October 31, 1999	October 31, 1998
Computed "expected" tax rate......	35.0 %	35.0 %	35.0 %
State income taxes, net of Federal income tax benefit.............	3.1	6.5	6.0
Company owned life insurance......	--	(.1)	(1.6)
Low income housing tax credit.....	(2.6)	(2.8)	(3.4)
Other............................	.5	.4	.7
Effective tax rate...............	36.0 %	39.0 %	36.7 %

We have state net operating loss carryforwards for financial reporting and tax purposes of $406,000,000 due to expire between the years October 31, 2001 and October 31, 2015.

11. REDUCTION OF INVENTORY TO FAIR VALUE

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. During the year ended October 31, 1998, inventory with a carrying amount of $3,077,000 was written down by $353,000 to its fair value. This was based on our evaluation of the expected revenue, cost to complete including interest and selling cost. The writedown during the year ended October 31, 1998 was attributed to one community in Florida where homes are being discounted to accelerate sales.

Also in accordance with FAS 121, we record impairment losses on inventories and long-lived assets held for sale when the related carrying amount exceeds the fair value less the selling cost. As of

October 31, 1999 and 1998, inventory with a carrying amount of $4,539,000 and $4,629,000, respectively, was written down by $1,801,000 and $2,588,000, respectively, to its fair value. No inventory was written down during the year ended October 31, 2000. The writedowns during the year ended October 31, 1999 were attributed to one land parcel in Florida and two residential communities in North Carolina. The Florida land parcel was written down based on purchase offers. The communities were written down based on our decision to discontinue selling homes and offer the remaining lots for sale. The writedowns during the year ended October 31, 1998 were attributed to one parcel of land being sold as lots and a commercial retail center parcel of land which incurred higher land development costs, both in New Jersey. During the year ended October 31, 1998, when these commercial facilities were liquidated, we recovered the carrying value. During the years ended October 31, 1999 and 1998, we recovered the carrying value or recognized nominal losses on the land held for sale which was subsequently liquidated.

The total aggregate impairment losses, which are presented in the consolidated statements of income, in inventory held for future development or sale were zero, $1,801,000, and $2,941,000 for the years ended October 31, 2000, 1999, and 1998, respectively. No aggregate impairment loss was recorded for the year ended October 31, 2000.

On the statement of income the line entitled "Homebuilding - Inventory impairment loss" also includes write-offs of options including approval, engineering, and capitalized interest costs. During the years ended October 31, 2000, 1999, and 1998 write-offs amounted to $1,791,000, $290,000 and $2,106,000, respectively. During the year ended October 31, 2000 we did not exercise options in various locations because the communities proforma profitability did not produce adequate returns on investment commensurate with the risk. Those communities were located in New Jersey, New York, North Carolina, and California. During 1999, we did not exercise an option because the community's proforma did not produce an adequate return on investment commensurate with the risk. During 1998, we did not exercise three residential options because of changes in local market conditions and difficulties in obtaining government approvals.

12. TRANSACTIONS WITH RELATED PARTIES

Our Board of Directors has adopted a general policy providing that it will not make loans to our officers or directors or their relatives at an interest rate less than the interest rate at the date of the loan on six month U.S. Treasury Bills, that the aggregate of such loans will not exceed $3,000,000 at any one time, and that such loans will be made only with the approval of the members of our Board of Directors who have no interest in the transaction. At October 31, 2000 and 1999 included in receivables, deposits and notes are related party receivables from officers and directors amounted to $3,127,000 and $2,718,000, respectively. Due to an oversight the loan balances exceeded $3,000,000 at October 31, 2000. On November 9, 2000 a $250,000 payment was received which reduced the loans to within authorized limits. Interest income from these loans for October 31, 2000, 1999, and 1998 amounted to $167,000, $108,000, and $97,000, respectively.

We provide property management services to various limited partnerships including one partnership in which Mr. A. Hovnanian, our Chief Executive Officer, President and a Director, is a general partner, and members of his family and certain officers and directors are limited partners. During the years ended October 31, 2000, 1999, and 1998 we received $85,000, $80,000, and $67,000, respectively, in fees for such management services. At October 31, 2000 and 1999, no amounts were due us by these partnerships.

13. STOCK PLANS

We have a stock option plan for certain officers and key employees. Options are granted by a Committee appointed by the Board of Directors. The exercise price of all stock options must be at least equal to the fair market value of the underlying shares on the date of the grant. Options granted prior to May 14, 1998 vest in three equal installments on the first, second and third anniversaries of the date of the grant. Options granted on or after May 14, 1998 vest in four equal installments on the third, fourth, fifth and sixth anniversaries of the date of the grant. We extended the life of options that expired on May 4, 2000 five years which resulted in additional compensation expense of $346,000 net of taxes. All options expire ten years after the date of the grant. In addition, during the years ended October 31, 2000 and 1999 each of the three outside directors of the Company were granted options to purchase 10,000 shares at the same price and terms as those granted to officers and key employees. Stock option transactions are summarized as follows:

	October 31, 2000	Weighted Average Fair Value (1) And Exercise Price	October 31, 1999	Weighted Average Fair Value (1) And Exercise Price	October 31, 1998	Weighted Average Fair Value (1) And Exercise Price
Options outstanding at beginning of period.	1,656,000	$8.02	1,415,000	$8.13	1,336,500	$7.83
Granted............	429,500	$6.06	251,000	$7.87	291,500	$9.09
Exercised..........			10,000	$5.81	114,667	$5.45
Forfeited..........	120,000	$8.60			98,333	$9.98
Options outstanding at end of period.......	1,965,500	$9.44	1,656,000	$8.29	1,415,000	$8.13
Options exercisable at end of period.......	1,276,708		1,106,666		1,013,166	
Price range of options outstanding.........	$5.13- $11.50		$5.13- $11.50		$5.13- $11.50	
Weighted-average remaining contractual life................	7.0 yrs.		5.0 yrs.		5.4 yrs.	

(1) Fair value of options at grant date approximate exercise price.

Pro forma information regarding net income and earnings per share is required under the fair value method of Financial Accounting Standards No. 123 ("FAS 123") "Accounting for Stock-Based Compensation" and is to be calculated as if we had accounted for our stock options under the fair value method of FAS 123. The fair value for these options is established at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999, and 1998: risk- free interest rate of 5.9%, 6.4%, and 4.5%, respectively; dividend yield of zero; volatility factor of the expected market price of our common stock of 0.40, 0.41, and 0.46, respectively; and a weighted-average expected life of the option of 7.0, 7.7, and 7.5 years, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options and are not likely to be representative of the effects on reported net income for future years, if applicable.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Our pro forma information follows (in thousands except for earnings per share information):

	Year Ended October 31, 2000	Year Ended October 31, 1999	Year Ended October 31, 1998
Pro forma net income......................	$ 32,322	$ 29,851	$ 25,107
Pro forma basic earnings per share.......	$ 1.47	$ 1.39	$ 1.15

Pro forma diluted earnings per share.....	$ 1.47	$ 1.38	$ 1.14

During the year ended October 31, 1999, we modified our bonus plan for certain associates. A portion of their bonus will be paid by issuing a deferred right to receive our Class A Common Stock. The number of shares will be calculated by dividing the portion of the bonus subject to the deferred right award by our stock price on the date the bonus is earned. 25% of the deferred right award will vest, and shares will be issued, one year after the year end and then 25% a year for the next three years. During the year ended October 31, 2000, 25,000 shares were issued and 26,000 shares were forfeited under this plan. For the years ended October 31, 2000 and 1999, approximately 281,000 and 200,000 deferred rights were awarded in lieu of $1,923,000 and $1,534,000 of bonus payments, respectively.

14. COMMITMENTS AND CONTINGENT LIABILITIES

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. We were involved in an action resulting from the non-performance by a land owner (the "Defendant") to sell real property to us. In 1999, we entered into a Settlement Agreement and Mutual Release ("SAMR") relating to this action. Pursuant to the terms of the SAMR, the Defendant stipulated to a judgement in our favor in the amount of $3,535,349. In 2000 the judgement was upheld in bankruptcy proceedings. As a result of the bankruptcy proceeding and evaluation of the collateral underlying our claim, we recorded a net gain on settlement of $1.8 million which is included in land sales and other revenues in the consolidated statements of income at October 31, 2000.

As of October 31, 2000 and 1999, respectively, we are obligated under various performance letters of credit amounting to $4,284,000 and $4,091,000. (See Note 5)

15. ACQUISITIONS

On August 7, 1999 we acquired the Matzel and Mumford Organization, Inc. ("M & M"), a New Jersey homebuilder and its related entities. On October 1, 1999 we acquired the Goodman Family of Builders, L.P. ("Goodman"), a Texas homebuilder and its related entities. The combined purchase price for both acquisitions was approximately $24,400,000 in cash and 1,845,359 shares of our Class A Common Stock at a weighted average share price of $7.18, of which 483,302 shares were held in escrow (and thus not reported as issued and outstanding) for pre-acquisition contingencies. As of October 31, 2000, 47,619 of those shares held in escrow were released. At the dates of the acquisition we loaned the acquired entities approximately $85,000,000 to pay off their third party debt. In addition, both the M & M and Goodman acquisitions provide for other payments to be made generally dependent upon the achievement of certain future operating and return objectives.

Both acquisitions were accounted for as a purchase with the results of operations of the acquired entities included in our consolidated financial statements as of the dates of acquisitions. The purchase prices were allocated based on estimated fair values at the dates of the acquisitions. An intangible asset equal to the excess purchase prices over the fair values of net assets acquired of $19,998,000 has been 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.

On August 28, 2000, we entered into an agreement and plan of merger with Washington Homes, Inc. for a total purchase price of approximately $84.0 million. The transaction is expected to close January 2001, following the receipt of shareholder approvals and the satisfaction of customary closing conditions. Under the terms of the agreement, Washington Homes shareholders receive the equivalent of 1.39 shares of Hovnanian Class A common stock or $10.08 in cash for each share of Washington Homes common stock, subject to certain adjustments and prorations as set out in the merger agreement. If the total amount of cash elected by Washington Homes stockholders exceeds 49.9%, or if the total amount of stock elected by Washington Homes stockholders exceeds 60% of the aggregate dollar value of the merger consideration, we will adjust the forms of consideration to be received as set out in the merger agreement.

On January 23, 2001 the shareholders of our Company and of Washington Homes elected to ratify the merger, and as a result the merger closed the same day.

16. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY INFORMATION

Summarized quarterly financial information for the years ended October 31, 2000 and 1999 is as follows:

	Three Months Ended			
	October 31, 2000	July 31, 2000	April 30, 2000	January 31, 2000
	(In Thousands Except Per Share Data)			
Revenues	$353,788	$284,982	$241,888	$257,149
Expenses	$324,456	$272,724	$236,436	$252,373
Income before income taxes	$ 29,332	$ 12,258	$ 5,452	$ 4,776
State and Federal income tax	$ 11,170	$ 4,167	$ 1.994	$ 1,324
Net Income	$ 18,162	$ 8,091	$ 3,458	$ 3,452
Per Share Data:				
Basic:				
Net Income	$ 0.85	$ 0.37	$ 0.16	$ 0.15
Weighted average number of common shares outstanding	21,463	21,904	22,054	22,327
Assuming Dilution:				
Net Income	$ 0.84	$ 0.37	$ 0.16	$ 0.15
Weighted average number of common shares outstanding	21,704	21,949	22,111	22,413

	Three Months Ended			
	October 31, 1999	July 31, 1999	April 30, 1999	January 31, 1999
	(In Thousands Except Per Share Data)			
Revenues	$298,429	$236,286	$208,885	$203,120
Expenses	$284,529	$222,216	$196,416	$192,942
Income before income taxes and extraordinary loss	$ 13,900	$ 14,070	$ 12,469	$ 10,178
State and Federal income tax	$ 5,015	$ 5,592	$ 5,017	$ 4,050
Extraordinary loss from extinguishment of debt, net of income taxes		$ (868)		
Net Income	$ 8,885	$ 7,610	$ 7,452	$ 6,128
Per Share Data:				
Basic:				
Income per common share before extraordinary loss	$ 0.41	$ 0.40	$ 0.35	$ 0.28
Extraordinary loss		$ (.04)		
Net Income	$ 0.41	$ 0.36	$ 0.35	$ 0.28
Weighted average number of common shares outstanding	21,726	20,979	21,266	21,512
Assuming Dilution:				
Income per common share before extraordinary loss	$ 0.41	$ 0.40	$ 0.35	$ 0.28
Extraordinary loss		$ (.04)		
Net Income	$ 0.41	$ 0.36	$ 0.35	$ 0.28
Weighted average number of common shares outstanding	21,902	21,206	21,488	21,725

17. FINANCIAL INFORMATION OF SUBSIDIARY ISSUER AND SUBSIDIARY GUARANTORS

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 October 31, 2000 had issued and outstanding $100,000,000 subordinated notes, $300,000,000 senior notes and a revolving credit agreement with an outstanding balance of zero. 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 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 financialstatements. 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 presents 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
CONSOLIDATING CONDENSED BALANCE SHEET
OCTOBER 31, 2000
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
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

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED BALANCE SHEET
OCTOBER 31, 1999
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
Assets						
Homebuilding	$ 53	$ 34,735	$ 630,074	$ 4,109	$	$ 668,971
Financial Services and CMO			(4,807)	46,974		42,167
Income Taxes (Payables)Receivables	(4,303)	(374)	8,562	(2,162)		1,723
Investments in and amounts due to and from consolidated subsidiaries	240,676	304,811	(305,942)	2,252	(241,797)	
Total Assets	$236,426	$ 339,172	$ 327,887	$ 51,173	$(241,797)	$ 712,861
Liabilities						
Homebuilding	$	$ 7,060	$ 102,282	$ 363	$	$ 109,705
Financial Services and CMO			495	34,456		34,951
Notes Payable		331,491	288			331,779
Stockholders' Equity	236,426	621	224,822	16,354	(241,797)	236,426
Total Liabilities and Stockholders' Equity	$236,426	$ 339,172	$ 327,887	$ 51,173	$(241,797)	$ 712,861

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED STATEMENT OF INCOME
TWELVE MONTHS ENDED OCTOBER 31, 2000
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
Revenues:						
Homebuilding	$	$ 391	$1,114,421	$ 21,397	$ (17,726)	$1,118,483
Financial Services and CMO			6,028	13,296		19,324
Intercompany Charges		82,051	34,505		(116,556)	
Equity In Pretax Income of Consolidated Subsidiaries	51,818				(51,818)	
Total Revenues	$51,818	$ 82,442	$1,154,954	$ 34,693	$ (186,100)	$1,137,807
Expenses:						
Homebuilding		66,232	1,096,455	2,831	(99,279)	1,066,239
Financial Services and CMO			4,591	15,426	(267)	19,750
Total Expenses		66,232	1,101,046	18,257	(99,546)	1,085,989
Income (Loss) Before Income Taxes	51,818	16,210	53,908	16,436	(86,554)	51,818
State and Federal Income Taxes	18,655	6,616	18,438	5,757	(30,811)	18,655
Net Income (Loss)	$33,163	$ 9,594	$ 35,470	$ 10,679	$ (55,743)	$ 33,163

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED STATEMENT OF INCOME
TWELVE MONTHS ENDED OCTOBER 31, 1999
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
Revenues:						
Homebuilding	$ (159)	$ 1,120	$ 922,639	$ 22,767	$ (20,405)	$ 925,962
Financial Services and CMO			3,561	17,197		20,758
Intercompany Charges		91,695	72		(91,767)	
Equity In Pretax Income of Consolidated Subsidiaries	50,776				(50,776)	
Total Revenues	50,617	92,815	926,272	39,964	(162,948)	946,720
Expenses:						
Homebuilding		90,111	866,042	2,248	(81,997)	876,404
Financial Services and CMO			2,757	17,370	(428)	19,699
Total Expenses		90,111	868,799	19,618	(82,425)	896,103
Income (Loss) Before Income Taxes	50,617	2,704	57,473	20,346	(80,523)	50,617
State and Federal Income Taxes	19,674	917	21,453	7,771	(30,141)	19,674
Extraordinary Loss	(868)	(868)			868	(868)
Net Income (Loss)	$30,075	$ 919	$ 36,020	$ 12,575	$ (49,514)	$ 30,075

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED STATEMENT OF INCOME
TWELVE MONTHS ENDED OCTOBER 31, 1998
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:						
Homebuilding	$	$ 1,441	$ 909,845	$ 26,210	$ (19,548)	$ 917,948
Financial Services and CMO			3,817	15,964		19,781
Intercompany Charges		84,166	3,844		(88,010)	
Equity In Pretax Income of Consolidated Subsidiaries	41,292				(41,292)	
Total Revenues	41,292	85,607	917,506	42,174	(148,850)	937,729
Expenses:						
Homebuilding		84,040	869,364	6,748	(81,397)	878,755
Financial Services and CMO			3,049	14,837	(204)	17,682
Total Expenses		84,040	872,413	21,585	(81,601)	896,437
Income (Loss) Before Income Taxes	41,292	1,567	45,093	20,589	(67,249)	41,292
State and Federal Income Taxes	15,141	(64)	16,315	7,975	(24,226)	15,141
Extraordinary Loss	(748)	(748)			748	(748)
Net Income (Loss)	$25,403	$ 883	$ 28,778	$ 12,614	$ (42,275)	$ 25,403

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED OCTOBER 31, 2000
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows From Operating Activities:						
Net Income	$ 33,163	$ 9,594	$ 35,470	$ 10,679	$ (55,743)	$ 33,163
Adjustments to reconcile net income to net cash provided by (used in) operating activities	751	80,742	(196,014)	(35,030)	55,743	(93,808)
Net Cash Provided By (Used In) Operating Activities	33,914	90,336	(160,544)	(24,351)		(60,645)
Net Cash Provided By (Used In) Investing Activities	(231)	(13,262)	(4,433)	(9)		(17,935)
Net Cash Provided By (Used In) Financing Activities	(6,461)	76,305	6,864	25,760		102,468
Intercompany Investing and Financing Activities - Net	(27,331)	(130,355)	156,011	1,675		
Net Increase (Decrease)	(109)	23,024	(2,102)	3,075		23,888
In Cash and Cash Equivalents Balance, Beginning of Period	46	(5,395)	24,608	106		19,365
Cash and Cash Equivalents Balance, End of Period	$ (63)	$ 17,629	$ 22,506	$ 3,181		$ 43,253

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED OCTOBER 31, 1999
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows From Operating Activities:						
Net Income	$ 30,075	$ 919	$ 36,020	$ 12,575	$ (49,514)	$ 30,075

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Adjustments to reconcile net income to net cash provided by (used in) operating activities...	15,774	311	(123,977)	63,782	49,514	5,404
Net Cash Provided By (Used In) Operating Activities...........	45,849	1,230	(87,957)	76,357		35,479
Net Cash Provided By (Used In) Investing Activities...............		(9,478)	1,868	480		(7,130)
Net Cash Provided By (Used In) Financing Activities...............	(6,291)	106,676	(40,326)	(84,597)		(24,538)
Intercompany Investing and Financing Activities - Net...................	(39,526)	(94,163)	128,000	5,689		
Net Increase (Decrease)..............	32	4,265	1,585	(2,071)		3,811
In Cash and Cash Equivalents Balance, Beginning of Period................	14	(9,660)	23,023	2,177		15,554
Cash and Cash Equivalents Balance, End of Period......................	$ 46	$ (5,395)	$ 24,608	$ 106		$ 19,365

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED OCTOBER 31, 1998
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
Cash Flows From Operating Activities:						
Net Income.........................	$ 25,403	$ 883	$ 28,778	$ 12,614	$ (42,275)	$ 25,403
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities...	(22,675)	1,708	33,340	(14,997)	42,275	39,651
Net Cash Provided By (Used In) Operating Activities...........	2,728	2,591	62,118	(2,383)		65,054
Net Cash Provided By (Used In) Investing Activities...............		(1,789)	26,090	(601)		23,700
Net Cash Provided By (Used In) Financing Activities...............	(2,773)	(71,551)	(26,687)	16,498		(84,513)
Intercompany Investing and Financing Activities - Net...................	49	66,574	(52,355)	(14,268)		
Net Increase (Decrease)..............	4	(4,175)	9,166	(754)		4,241
In Cash and Cash Equivalents Balance, Beginning of Period................	10	(5,485)	13,857	2,931		11,313
Cash and Cash Equivalents Balance, End of Period......................	$ 14	$ (9,660)	$ 23,023	$ 2,177		$ 15,554

EXHIBIT 21
SUBSIDIARY LISTING

K. Hovnanian Equities, Inc.
EXC, Inc.
K. Hovnanian Companies of North Carolina, Inc.
KHL, Inc.
Hovnanian Texas, Inc.
Hovnanian Georgia, Inc.
Hovnanian Financial Services III, Inc.
K. Hovnanian Mortgage USA, Inc.
Hovnanian Financial Services IV, Inc.
K. Hovnanian Developments of New Jersey, Inc.
KHE Finance, Inc.
K. Hov International, Inc.
Hovnanian Financial Services II, Inc.
New Fortis Investment
Hovnanian Financial Services I, Inc.
K. Hovnanian Enterprises, Inc.
Hovnanian Pennsylvania, Inc.
Recreational Development Co., Inc.
K. Hovnanian Marine, Inc.
K. Hovnanian Aviation, Inc.
K. Hovnanian Companies of North Jersey, Inc.
K. Hovnanian at Montville, Inc.
K. Hovnanian at Wayne, Inc.
K. Hovnanian at Mahwah IV, Inc
K. Hovnanian at Morris II, Inc.
K. Hovnanian at Mahwah II, Inc.
K. Hovnanian at Mahwah III, Inc.
K. Hovnanian @ Northern Westchester, Inc.
K. Hovnanian at Hanover, Inc.
K. Hovnanian at Montville II, Inc.
K. Hovnanian @ Newark Urban Renewal Corp.I, Inc.
K. Hovnanian @ Newark I, Inc.
K. Hovnanian @ Newark Urban Renewal Corp.II, Inc.
Jersey City Danforth CSO
K. Hovnanian @ Newark Urban Renewal Corp.III, Inc.
K. Hovnanian @ Newark Urban Renewal Corp. IV, Inc.
K. Hovnanian @ Newark Urban Renewal Corp. V, Inc.
K. Hovnanian at Jersey City I, Inc.
K. Hovnanian at Jersey City II, Inc.(Phase 2A)
K. Hovnanian at Jersey City III, Inc.
K. Hovnanian at Mahwah VI, Inc.
K. Hovnanian at Jersey City II, Inc.(Phase 2B)
K. Hovnanian at Mahwah VII, Inc.
K. Hovnanian at Montclair, N.J., Inc.
K. Hovnanian at Horizon Heights, Inc.
K. Hovnanian at Reservoir Ridge, Inc.
K. Hovnanian at Mahwah V, Inc.
K. Hovnanian at Mahwah VIII, Inc.
K. Hovnanian of North Jersey, Inc. (Hudson River)
Montego Bay I Acquisition Corp., Inc.
Montego Bay Associates Limited I, LP (MBAI)
Montego Bay II Acquisition Corp., Inc.
Montego Bay Associates Limited II, LP (MBAII)
0515 Co., Inc.
K. Hovnanian at North Brunswick IV, Inc.
K. Hovnanian Properties of North Brunswick IV, Inc.
Arrow Properties, Inc.
KHIPE, Inc.
Pine Brook Company, Inc.
K. Hovnanian Properties of North Brunswick II, Inc.
K. Hovnanian Properties of Galloway, Inc.
K. Hovnanian @ Cedar Grove I, Inc.
K. Hovnanian @ Cedar Grove II, Inc.
K. Hovnanian Properties of Piscataway, Inc.
K. Hovnanian Properties of North Brunswick I, Inc.
Molly Pitcher Renovations, Inc.
K. Hovnanian Properties of East Brunswick II,Inc.
K. Hovnanian Investment Properties of N.J., Inc.
K. Hovnanian Investment Properties, Inc.
Hovnanian Properties of Atlantic County, Inc.
K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.
K. Hovnanian Properties of Hamilton, Inc.
K. Hovnanian Properites of Franklin, Inc.
K. Hovnanian Properties of North Brunswick III, Inc.
K. Hovnanian Properties of Franklin II, Inc.
K. Hovnanian at Jacksonville, Inc.
K. Hovnanian Properties of North Brunswick V, Inc.
K. Hovnanian Properties of Wall, Inc.
K.Hovnanian at Pompano Beach, Inc.

Hovnanian Properties of Lake Worth, Inc.
Landarama, Inc.
K. Hovnanian Companies Northeast, Inc.
Parthenon Group
Minerva Group
K. Hovnanian Companies of Central Jersey, Inc.
K. Hovnanian Real Estate Investment, Inc.
K. Hovnanian at Princeton, Inc.
K. Hovnanian at South Brunswick III, Inc.
K. Hovnanian at South Brunswick IV, Inc.
K. Hovnanian at Plainsboro I, Inc.
K. Hovnanian at Plainsboro II, Inc.
K. Hovnanian at Klockner Farms, Inc.
K. Hovnanian at South Brunswick II, Inc.
K. Hovnanian at Hopewell III, Inc.
K. Hovnanian at Hopewell I, Inc.
K. Hovnanian at South Brunswick, Inc.
K. Hovnanian at East Windsor I, Inc.
K. Hovnanian at North Brunswick II, Inc.
K. Hovnanian at North Brunswick III, Inc.
K. Hovnanian at Hopewell II, Inc.
K. Hovnanian at Somerset VIII, Inc.
K. Hovnanian at Lawrence Square, Inc.
Dryer Associates, Inc.
K. Hovnanian at East Brunswick V, Inc.
K. Hovnanian at Bernards II, Inc.
K. Hovnanian at Bridgewater III, Inc.
K. Hovnanian at Plainsboro III, Inc.
K. Hovnanian at Somerset V, Inc.
K. Hovnanian at Somerset VI, Inc.
Eastern Title Agency, Inc.
K. Hovnanian Mortgage, Inc.
Governors Abstract
Eastern National Title Insurance Agency, Inc.
Founders Title Agency, Inc.
K. Hovnanian Companies North Central Jersey, Inc.
K. Hovnanian at Bedminster, Inc.
K. Hovnanian at Bridgewater IV, Inc.
K. Hovnanian at Branchburg III, Inc.
K. Hovnanian at Spring Ridge, Inc.
K. Hovnanian at Bridgewater V, Inc.
K. Hovnanian at Readington, Inc.
K. Hovnanian at Branchburg II, Inc.
K. Hovnanian at Bridgewater II, Inc.
K. Hovnanian at Branchburg I, Inc.
K. Hovnanian Companies Jersey Shore, Inc.
K. Hovnanian at Wall Township, Inc.
K. Hovnanian at Galloway VIII, Inc.
K. Hovnanian at Dover Township, Inc.
K. Hovnanian at Galloway VII, Inc.
K. Hovnanian at Tinton Falls II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Wall Township II, Inc.
K. Hovnanian at Wall Township III, Inc.
K. Hovnanian at Holmdel Township, Inc.
K. Hovnanian at Wall Township IV, Inc.
K. Hovnanian at Wall Township V, Inc.
K. Hovnanian at Atlantic City, Inc.
K. Hovnanian at Ocean Township II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Marlboro Township, Inc.
K. Hovnanian at Howell Township, Inc.
K. Hovnanian at Howell Township II, Inc.
K. Hovnanian at Woodbury Oaks, Inc.
K. Hovnanian at Freehold Township, Inc.
K. Hovnanian at Lakewood, Inc.
K. Hovnanian Companies of the Delaware Valley, Inc.
K. Hovnanian Co. of Delaware Valley, Inc. Brokerage Company
K. Hovnanian at Lower Saucon, Inc
K. Hovnanian at Perkiomen I, Inc.
K. Hovnanian at Montgomery I, Inc.
K. Hovnanian at Upper Merion, Inc.
K. Hovnanian at Perkiomen II, Inc.
K. Hovnanian Companies of South Jersey, Inc.
K. Hovnanian at Valleybrook, Inc.
Kings Grant Evesham Corp.
K. Hovnanian at Burlington, Inc.
K. Hovnanian at Medford I, Inc.
K. Hovnanian at The Reserve @ Medford, Inc
K. Hovnanian at Kings Grant I, Inc.
K. Hovnanian at Valleybrook II, Inc.
K. Hovnanian Real Estate of Florida, Inc.
Hovnanian Developments of Florida, Inc.

K. Hovnanian Companies of Florida, Inc.
Hovnanian of Palm Beach II, Inc.
Hovnanian of Palm Beach III, Inc.
Hovnanian of Palm Beach IV, Inc.
Hovnanian of Palm Beach V, Inc.
Hovnanian of Palm Beach VI, Inc.
Hovnanian of Palm Beach VII, Inc.
Hovnanian of Palm Beach VIII, Inc.
Hovnanian of Palm Beach IX, Inc.
Hovnanian at Tarpon Lakes I, Inc.
Hovnanian at Tarpon Lakes II, Inc.
Hovnanian at Tarpon Lakes III, Inc.
K. Hovnanian at Pasco I, Inc.
K. Hovnanian at Ft. Myers I, Inc.
K. Hovnanian at Palm Beach XI, Inc.
K. Hovnanian at Jensen Beach, Inc.
Hovnanian of Palm Beach X, Inc.
K. Hovnanian at Martin Downs I, Inc.
K. Hovnanian at Jacksonville I, Inc.
K. Hovnanian at Ft. Myers II, Inc.
K. Hovnanian at Lawrence Grove, Inc.
K. Hovnanian at Jacksonville II, Inc.
K. Hovnanian of Palm Beach XIII, Inc.
Hovnanian of Palm Beach, Inc.
K. Hovnanian at Half Moon Bay, Inc.
K. Hovnanian at Woodridge Estates, Inc.
Pike Utilities, Inc.
Tropical Service Builders, Inc.
K. Hovnanian at Embassy Lakes, Inc.
K. Hovnanian at Delray Beach II, Inc.
K. Hovnanian at Orlando I, Inc.
K. Hovnanian at Orlando II, Inc.
K. Hovnanian at Orlando III, Inc.
K. Hovnanian at Martin Downs II, Inc.
K. Hovnanian at Orlando IV, Inc.
K. Hovnanian Properties of Orlando, Inc.
K. Hovnanian at Delray Beach I, Inc.
K. Hovnanian at Pasco II, Inc.
K. Hovnanian at Port St. Lucie I, Inc.
K. Hovnanian at Delray Beach, Inc.
Eastern National Title Insurance Agency, Inc.
K. Hovnanian Mortgage of Florida, Inc.
South Florida Residential Title Agency, Inc.
Eastern National Title Insurance Agency I, Inc.
Western Financial Services, Inc.
r. e. Scott Mortgage co. of Florida, Inc.
New K. Hovnanian Developments of Florida, Inc.
New K. Hovnanian Companies of Florida, Inc.
K. Hovnanian at Fairway Views, Inc.
K. Hovanian at Lake Charleston, Inc.
K. Hovnanian at Carolina Country Club I, Inc.
K. Hovnanian at Chapel Trail, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Lakes of Boca Raton, Inc.
K. Hovnanian at Lake Charleston II, Inc.
K. Hovnanian at Lake Charleston III, Inc.
K. Hovnanian at Carolina Country Club II, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Pembroke Isles, Ins.
K. Hovnanian at Carolina Country Club III, Inc.
K. Hovnanian at Coconut Creek, Inc.
K. Hovnanian at Polo Trace, Inc.
K. Hovnanian Companies of New York, Inc.
K. Hovnanian at Westchester, Inc.
K. Hovnanian at Peekskill, Inc.
K. Hovnanian at Washingtonville, Inc.
K. Hovnanian at Mahopac, Inc.
K. Hovnanian at Carmel, Inc.
K. Hovnanian Developments of New York, Inc.
Cedar Hill Water Corporation
Cedar Hill Sewer Corporation
R.C.K. Community Management Co., Inc.
K. Hovnanian Companies of Massachusetts, Inc.
K. Hovnanian at Merrimack, Inc.
K. Hovnanian at Merrimack II, Inc.
K. Hovnanian at Taunton, Inc.
New England Community Management Co., Inc.
K. Hovnanian Cos. of Metro Washington, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Woodmont,, Inc.
K. Hovnanian at Sully Station, Inc.
K. Hovnanian at Bull Run, Inc.
K. Hovnanian at Montclair, Inc.

K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Holly Crest, Inc.
K. Hovnanian at Woodmont, Inc.
K. Hovnanian at Montclair, Inc.(Montclair Condos)
K. Hovnanian at Fair Lakes, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Park Ridge, Inc.
K. Hovnanian at Belmont, Inc.
K. Hovnanian at Fair Lakes Glen, Inc.
K. Hovnanian Developments of Metro Washington, Inc.
K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Montclair, Inc. (Montclair Laing)
K. Hovnanian Companies of California, Inc.
K. Hovnanian at Clarkstown, Inc.
K. Hovnanian at West Orange, Inc.
K. Hovnanian at Wayne III, Inc.
K. Hovnanian at Wayne IV, Inc.
K. Hovnanian at Wayne V, Inc.
K. Hovnanian at Hackettstown, Inc.
K. Hovnanian at Spring Mountain, Inc.
K. Hovnaian at East Windsor II, Inc.
K. Hovnanian Treasure Coast, Inc.
K. Hovnanian at La Terraza, Inc.
K. Hovnanian at Highland Vineyards, Inc.
K. Hovnanian Companies of Southern California II, Inc.
K. Hovnanian at Vail Ranch, Inc.
K. Hovnanian at Carmel Del Mar, Inc.
K. Hovnanian at Calabria, Inc.
K. Hovnanian Developments of California, Inc.
K. Hovnanian at Ballantrae, Inc.
Ballantrae Home Sales, Inc.
K. Hovnanian at Hunter Estates, Inc.
K. Hovnanian Developments of Maryland, Inc.
K. Hovnanian Companies of Maryland, Inc.
K. Hovnanian at Seneca Crossing, Inc.
K. Hovnanian at Exeter Hills, Inc.
K. Hovnanian Southeast Florida, Inc.
K. Hovnanian Florida Region, Inc.
K. Hovnanian at East Brunswick VI, Inc.
K. Hovnanian at Berlin, Inc.
K. Hovnanian at Bedminster II, Inc.
K. Hovnanian at Marlboro Township II, Inc.
K. Hovnanian at Inverrary I, Inc.
K. Hovnanian at Mahwah IX, Inc.
K. Hovnanian at Hopewell IV, Inc.
K. Hovnanian at Northlake, Inc.
K. Hovnanian at Castile, Inc.
K. Hovnanian at Tierrasanta, Inc.
K. Hovnnaian at Bridgewater VI, Inc.
K. Hovnanian at Preston, Inc.
K. Hovnanian at Bernards III, Inc.
K. Hovnanian at Wayne VI, Inc.
K. Hovnanian at Rancho Cristianitos, Inc.
K. Hovnanian at La Trovata, Inc.
K. Hovnanian at Watchung Reserve, Inc.
K. Hovnanian at Windsong East Brunswick, Inc.
K. Hovnanian at South Brunswick V, Inc.
K. Hovnanian at Wall Township III, Inc.
K. Hovnanian at Tannery Hill, Inc.
K. Hovnanian at Upper Freehold Township I, Inc.
K. Hovnanian at Jefferson, Inc.
K. Hovnanian at Hershey's Mill, Inc.
K. Hovnanian at Bernards VI, Inc.
K. Hovnanian at Port Imperial North, Inc.
K. Hovnanian at Hopewell V, Inc.
K. Hovnanian at Hopewell VI, Inc.
K. Hovnanian at Manalapan II, Inc.
K. Hovnanian at Union Township, Inc.
K. Hovnanian at Wayne VII, Inc.
K. Hovnanian at Scotch Plains II, Inc.
K. Hovnanian at Thornbury, Inc.
K. Hovnanian at Cameron Chase, Inc.
K. Hovnanian at Marlboro Township IV, Inc.
K. Hovnanian at Port Imperial Urban Renewal, Inc.
K. Hovnanian at East Whiteland, Inc.
K. Hovnanian at Stonegate, Inc.
K. Hovnanian Companies of Southern California, Inc.
K. Hovnanian at Crestline, Inc.
K. Hovnanian at Sycamore, Inc.
K. Hovnanian at Saratoga, Inc.
K. Hovnanian at Sone Canyon, Inc.
K. Hovnanian at Chaparral, Inc.
K. Hovnanian at Ocean Walk, Inc.

K. Hovnanian at Maplewood, Inc.
K. Hovnanian at Tuxedo, Inc.
K. Hovnanian at Bridgeport, Inc.
K. Hovnanian at Stonegate, Inc. (California)
K. Hovnanian at Lower Saucon II, Inc.
K. Hovnanian at Barrington, Inc.
K. Hovnanian at The Glen, Inc.
K. Hovnanian at Hampton Oaks, Inc.
K. Hovnanian at Summerwood, Inc.
K. Hovnanian at Chester I, LLC
K. Hovnanian at West Windsor, LLC
K. Hovnanian at Barnards V, LLC
K. Hovnanian's Four Seasons of the Palm Beaches, Inc.
K. Hovnanian at Chester I, LLC
K. Hovnanian at West Windsor, LLC
K. Hovnanian at Bernards V, LLC
K. Hovnanian at Menifee, LLC
K. Hovnaian at Roland Heights, LLC
K. Hovnanian at Winchester, LLc
K. Hovnanian at Carmel Village, LLC
K. Hovnanian's Four Seasons, LLC
K. Hovnanian at North Brunswick VI, LLC
K. Hovnanian at Lawrence V, LLC
K. Hovnanian at Jackson, LLC
K. Hovnanian at Blue Heron Pines, LLC
K. Hovnanian at Middletown, LLC
K. Hovnanian at Berkeley, LLC
K. Hovnanian at Guttenberg, LLC
K. Hovnanian at Prince William, LLC
K. Hovnanian at Lake Terrapin, LLC
K. Hovnanian at King Farm, LLc
K. Hovnanian at South Bank, LLC
K. Hovnanian at Clifton, LLC
K. Hovnanian at Jersey City IV, LLC
K. Hovnanian at Lafayetts Estates, LLC
K. Hovnanian at Upper Freehold II, LLC
K. Hovnanian at Kincaid, LLC
K. Hovnanian at Linwood, LLC
K. Hovnanian at South Amboy, LLC
K. Hovnanian at Upper Freehold Township III, LLC
K. Hovnanian at Brenbrooke, LLC
K. Hovnanian at Blooms Crossing, LLC
K. Hovnanian at Spring Hill Road, LLC
K. Hovnanian at St. Margarets, LLC
K. Hovnanian at Paramus, LLC
K. Hovnanian Developments of Texas, Inc.
The Matzel & Mumford Organization, Inc.
Matzel & Mumford of Delaware, Inc.
K. Hovnanian at Kent Island, LLC
K. Hovnanian at Northfield, LLC
K. Hovnanian at Willow Brook, LLC
K. Hovnanian at South Brunswick II, Inc.
K. Hovnanian at Rancho Santa Margarita, LLC
K. Hovnanian at Arbor Heights, LLC
K. Hovnanian at the Gables, LLC
K. Hovnanian at Riverbend, LLC
K. Hovnanian at Encinitas Ranch, LLC
K. Hovnanian at Sunsets, LLC
K. Hovnanian at Pacific Bluffs, LLC
K. Hovnanian at Park Lane, LLC
K. Hovnanian at West Milford, LLC
K. Hovnanian at Washington, LLC
K. Hovnanian at Roderick,LLC
K. Hovnanian at Columbia Town Center, LLC