UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

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

For quarterly period ended JANUARY 31, 2002 or

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

Commission file number 1-8551

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

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

l0 Highway 35, P.O. Box 500, Red Bank, N. J. 07701
(Address of principal executive offices)

732-747-7800
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Sections l3 or l5(d) of the Securities Exchange Act of l934 during the preceding l2 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 22,880,508 Class A Common Shares and 7,463,792 Class B Common Shares were outstanding as of February 28, 2002.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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

ASSETS	January 31, 2002 (unaudited)	October 31, 2001
Homebuilding:		
Cash and cash equivalents	$ 37,646	$ 10,173
Inventories - At the lower of cost or fair value:		
Sold and unsold homes and lots under development	798,403	593,149
Land and land options held for future development or sale	141,427	146,965
Total Inventories	939,830	740,114
Receivables, deposits, and notes	51,925	75,802
Property, plant, and equipment - net	30,864	30,756
Senior Residential rental properties - net	9,794	9,890
Prepaid expenses and other assets	85,448	46,178
Goodwill	81,725	32,618
Total Homebuilding	1,237,232	945,531
Financial Services:		
Cash and cash equivalents	4,243	5,976
Mortgage loans held for sale	82,155	105,567
Other assets	6,686	6,465
Total Financial Services	93,084	118,008
Income Taxes Receivable - Including deferred tax benefits		719
Total Assets	$1,330,316	$1,064,258

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	January 31, 2002 (unaudited)	October 31, 2001
Homebuilding:		
Nonrecourse land mortgages	$ 11,862	$ 10,086
Accounts payable and other liabilities	149,630	124,125
Customers' deposits	42,805	39,114
Nonrecourse mortgages secured by operating properties	3,360	3,404
Total Homebuilding	207,657	176,729
Financial Services:		
Accounts payable and other liabilities	5,052	5,264
Mortgage warehouse line of credit	68,468	98,305
Total Financial Services	73,520	103,569

Notes Payable:		
Revolving and term credit agreements	200,600	
Senior notes	296,895	296,797
Subordinated notes	99,747	99,747
Accrued interest	10,639	11,770
Total Notes Payable	607,881	408,314
Income Taxes Payable	1,517	
Total Liabilities	890,575	688,612
Stockholders' Equity:		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 26,925,569 shares at January 2002 and 24,599,379 shares at October 2001 (including 4,295,621 shares at January 2002 and 4,195,621 shares at October 2001 held in Treasury)	268	246
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 7,810,100 shares at January 2002 and 7,818,927 shares at October 2001 (including 345,874 shares held in Treasury)	78	78
Paid in Capital	147,921	100,957
Retained Earnings	328,267	310,106
Deferred Compensation	(90)	(127)
Treasury Stock - at cost	(36,703)	(35,614)
Total Stockholders' Equity	439,741	375,646
Total Liabilities and Stockholders' Equity	$1,330,316	$1,064,258

See notes to consolidated financial statements.

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

	Three Months Ended January 31,	
	2002	2001
Revenues:		
Homebuilding:		
Sale of homes	$443,098	$283,405
Land sales and other revenues	2,167	4,245
Total Homebuilding	445,265	287,650
Financial Services	8,987	5,538
Total Revenues	454,252	293,188
Expenses:		
Homebuilding:		
Cost of sales	351,673	225,735
Selling, general and administrative	37,649	28,225
Inventory impairment loss	905	174
Total Homebuilding	390,227	254,134
Financial Services	5,359	3,780
Corporate General and Administration	10,876	9,878
Interest	13,702	9,505
Other Operations	4,291	1,851
Restructuring Charges		2,480
Total Expenses	424,455	281,628
Income Before Income Taxes	29,797	11,560
State and Federal Income Taxes:		
State	1,873	399
Federal	9,763	4,238
Total Taxes	11,636	4,637

Net Income	$ 18,161	$ 6,923
Per Share Data:		
Basic:		
Income per common share	$ 0.63	$ 0.31
Weighted average number of common shares outstanding	28,965	22,286
Assuming dilution:		
Income per common share	$ 0.60	$ 0.30
Weighted average number of common shares outstanding	30,456	22,732

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	Deferred Comp	Treasury Stock	Total
Balance, October 31, 2001	20,403,758	$246	7,473,053	$78	$100,957	$310,106	$ (127)	$(35,614)	$375,646
Acquisitions	2,208,738	22			45,692				45,714
Sale of common stock under employee stock option plan	46,905				324				324
Stock bonus plan	61,720				948				948
Conversion of Class B to Class A Common Stock	8,827		(8,827)						
Deferred compensation							37		37
Treasury stock purchases adjustment	(100,000)							(1,089)	(1,089)
Net Income						18,161			18,161
Balance, January 31, 2002 (unaudited)	22,629,948	$268	7,464,226	$78	$147,921	$328,267	$ (90)	$(36,703)	$439,741

See notes to consolidated financial statements.

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

	Three Months Ended January 31,	
	2002	2001
Cash Flows From Operating Activities:		
Net Income	$ 18,161	$ 6,923
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,658	1,965
Amortization of goodwill		669
(Gain) on sale and retirement of property and assets	(3)	(40)
Deferred income taxes	(71)	145
Impairment losses	905	174
Decrease (increase) in assets:		
Mortgage notes receivable	26,334	19,205
Receivables, prepaids and other assets	3,637	(22,211)
Inventories	19,489	(9,514)
Increase (decrease) in liabilities:		
State and Federal income taxes	2,307	(544)
Customers' deposits	3,594	932
Interest and other accrued liabilities	(15,288)	(7,587)
Post development completion costs	(832)	1,964
Accounts payable	5,488	(6,642)
Net cash provided by (used in) operating activities	65,379	(14,561)

Cash Flows From Investing Activities:		
Net proceeds from sale of property and assets	136	7
Purchase of property, equipment and other fixed assets	(1,353)	(1,073)
Acquisition of homebuilding companies	(120,677)	(36,936)
Investment in and advances to unconsolidated affiliates	(1,948)	(12)
Net cash (used in) investing activities	(123,842)	(38,014)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes	706,120	480,328
Principal payments on mortgages and notes	(622,315)	(435,664)
Purchase of treasury stock	(1,089)	67
Proceeds from sale of stock and employee stock plans	1,487	683
Net cash provided by financing activities	84,203	45,414
Net Increase (Decrease) In Cash and Cash Equivalents	25,740	(7,161)
Cash and Cash Equivalents Balance, Beginning Of Period	16,149	43,253
Cash and Cash Equivalent Balance, End Of Period	$ 41,899	$ 36,092

See notes to consolidated financial statements.

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year. The balance sheet at October 31, 2001 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

2. Interest costs incurred, expensed and capitalized were:

	Three Months Ended January 31,	
	2002	2001
	(Dollars in Thousands)	
Interest Capitalized at Beginning of Period	$ 25,124	$ 25,694
Plus Acquired Entity Interest.		3,604
Plus Interest Incurred(1)(2)	11,477	11,572
Less Interest Expensed(2)	13,702	9,505
Interest Capitalized at End of Period(2)	$ 22,899	$ 31,365

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

3. Homebuilding accumulated depreciation at January 31, 2002 and October 31, 2001 amounted to $18,612,000 and $18,367,000, respectively. Senior residential rental property accumulated depreciation at January 31, 2002 and October 31, 2001 amounted to $2,757,000 and $2,688,000, respectively.

4. We record impairment losses on inventories related to communities under development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those

assets are less than their related carrying amounts. In addition, from time to time, we will write off certain residential land options including approval, engineering and capitalized interest costs for land management decided not to purchase. We wrote off such costs in the amount of $801,000 in the Mid South, $20,000 in the Northeast Region, and $84,000 in North Carolina during the three months ended January 31, 2002. We also wrote off such costs in the amount of $63,000 in the Northeast Region and $111,000 in Metro D. C. during the three months ended January 31, 2001. Residential inventory impairment losses and option write offs are reported in the Consolidated Statements of Income as "Homebuilding-Inventory Impairment Loss."

5. We are involved from time to time in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on us. As of January 31, 2002 and October 31, 2001, respectively, we are obligated under various performance letters of credit amounting to $10,573,000 and $10,223,000.

6. We have an unsecured Revolving Credit Agreement ("Agreement") with a group of banks which provides up to $440,000,000 through July 2004. Interest is payable monthly and at various rates of either the prime rate plus 0.40% or LIBOR plus 1.85%. In addition, we pay a fee equal to 0.375% per annum on the weighted average unused portion of the line. As of January 31, 2002 and October 31, 2001, there was an outstanding balance of $35,600,000 and zero, respectively.

7. On January 22, 2002 we issued a $165,000,000 Term Loan to a group of banks which is due January 22, 2007. Interest is payable monthly at either the prime rate plus 1.25% or LIBOR plus 2.5%. The proceeds from the issuance of the Term Loan were primarily used to partially fund the acquisition of the California operations of The Forecast Group, L.P. ("Forecast"). See Note 8 below.

8. On January 23, 2001 we merged with Washington Homes, Inc. for a total purchase price of $87.4 million, of which $38.5 million was paid in cash and 6,352,900 shares of our Class A Common Stock were issued. At the date of acquisition we loaned Washington Homes, Inc. approximately $57.0 million to pay off their third party debt.

On January 10, 2002 we acquired the California homebuilding operations of Forecast for an estimated total purchase price of $196.5 million, of which $151.0 million will be paid in cash (including an estimated adjustment based on Forecast's earnings through January 31, 2002) and 2,208,738 shares of Class A Common Stock were issued. We acquired Forecast to expand our California homebuilding operations. In addition, we have an option to purchase additional land parcels owned by Forecast for a price of $49.0 million. At the date of the acquisition we also paid off approximately $88.0 million of Forecast's third party debt. The total purchase price amounted to $90.4 million over Forecast's book value, of which $22.8 million was added to inventory to reflect fair value, $18.5 million was paid for two option agreements, a two year consultant's agreement, and a three year right of first refusal agreement, and the balance recorded as goodwill.

A Forecast condensed balance sheet (including the effects of purchase accounting adjustments) as of the acquisition date is as follows (in thousands):

	January 10, 2002
Cash and cash equivalents........	$ 10,209
Inventories.....................	220,110
Goodwill........................	49,107
Prepaids and other assets........	20,676
Total Assets	$ 300,102
Accounts payable and other liabilities....................	$ 35,028
Revolving credit agreement.......	219,574
Stockholders' equity............	45,500
Total Liabilities and Stockholders' Equity......	$ 300,102

The merger with Washington Homes, Inc. and acquisition of Forecast were accounted for as purchases with the results of operations of these entities included in our consolidated financial statements as of the date of the merger and acquisition. The purchase price was allocated based on estimated fair value at the date of the merger and acquisition. An intangible asset equal to the excess purchase price over the fair value of the net assets of $12.8 million and $49.1 million for Washington Homes and Forecast, respectively, were recorded as goodwill on the consolidated balance sheet. The Washington Homes amount was being amortized on a straight line basis over a period of ten years during fiscal 2001. On November 1, 2001 we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). As a result of adopting SFAS No. 142, goodwill is no longer amortized.

The following unaudited pro forma financial data for the three months ended January 31, 2002 and 2001 has been prepared as if the merger with Washington Homes, Inc. on January 23, 2001 and the acquisition of Forecast on January 10, 2002 had occurred on November 1, 2000. Unaudited pro forma financial data is presented for information purposes only and may not be indicative of the actual amounts had the events occurred on the dates listed above, nor does it purport to represent future periods (in thousands).

	Three Months Ended January 31,	
	2002	2001
Revenues	$ 518,601	$ 447,823
Expenses	483,440	430,089
Income Taxes	13,734	6,369
Net Income	$ 21,427	$ 11,365
Diluted Net Income Per Common Share	$ 0.67	$ 0.37

9. Restructuring Charges - Restructuring charges are estimated expenses associated with the merger of our operations with those of Washington Homes, Inc. as a result of the merger on January 23, 2001. Under our merger plan, administration offices in Maryland, Virginia, and North Carolina were either closed, relocated, or combined. The merger of administration offices was completed by July 31, 2001. At January 31, 2001, expenses were accrued for salaries, severance and outplacement costs for the involuntary termination of associates, costs to close and/or relocate existing administrative offices, and lost rent and leasehold improvements. During the year ended October 31, 2001 our estimate for restructuring charges was increased to a total of $3.2 million. We have provided for the termination of 65 associates. We accrued approximately $2.0 million to cover termination and related costs. Associates being terminated were primarily administrative. In addition, we accrued approximately $1.2 million to cover closing and/or relocation of various administrative offices in these three states. Such amounts are included in accounts payable and other liabilities in the accompanying financial statements. $305,000 was charged against the reserve during the three months ended January 31, 2002. At January 31, 2002 $1.7 million has been charged against termination costs relating to the termination of 62 associates and $0.7 million has been charged against office closings and relocation costs.

10. Intangible Assets - As reported on the balance sheet we have goodwill totaling $81.7 million. We have no other intangible assets. During the three months ended January 31, 2002 we added $49.1 million of goodwill as a result of the Forecast acquisition. Goodwill deductible for income tax purposes is approximately $550,000 for the three months ended January 31, 2002. Amortization of good will in the amount of $669,000 was recorded for the three month period ended January 31, 2001 and is also included in other operations in the accompanying financial statements. After tax the goodwill amortization for the three months ended January 31, 2001 amounted to approximately $450,000, which if eliminated from net income would have increased earnings per share approximately $0.02.

In accordance with SFAS No. 142 the Company no longer amortizes goodwill but instead reviews goodwill quarterly for impairment. The impairment test uses a fair value approach rather than the undiscounted cash flows approach. The Company has determined that goodwill was not impaired as of January 31, 2002.

11. Hovnanian Enterprises, Inc., the parent company (the "Parent") is the issuer of publicly traded common stock. One of its wholly owned subsidiaries, K. Hovnanian Enterprises, Inc., (the "Subsidiary Issuer") was the issuer of certain Senior Notes on May 4, 1999 and October 2, 2000.

The Subsidiary Issuer acts as a finance and management entity that as of January 31, 2002 had issued and outstanding approximately $99,747,000 subordinated notes, $300,000,000 senior notes, a revolving credit agreement with an outstanding balance of $35,600,000, and a term loan with an outstanding balance of $165,000,000. The subordinated notes, senior notes, the revolving credit agreement, and term loan 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 various subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, a mortgage lending subsidiary, a subsidiary holding and licensing the "K. Hovnanian" trade name, a subsidiary engaged in homebuilding activity in Poland, our title subsidiaries, and joint ventures (collectively the "Non-guarantor Subsidiaries"), have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under the senior notes and the revolving credit agreement of the Subsidiary Issuer.

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

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

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED BALANCE SHEET
JANUARY 31, 2002
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Homebuilding	$ (884)	$ 77,788	$1,151,588	$ 8,740	$	$1,237,232
Financial Services			206	92,878		93,084
Investments in and amounts due to and from consolidated subsidiaries	445,161	534,071	(873,503)	17,520	(123,249)	
Total Assets	$444,277	$ 611,859	$ 278,291	$ 119,138	$(123,249)	$1,330,316
LIABILITIES AND STOCKHOLDERS' EQUITY						
Homebuilding	$	$ 6,411	$ 201,155	$ 91	$	$ 207,657
Financial Services				73,520		73,520
Notes Payable		607,697	184			607,881
Income Taxes Payable	4,536	4,192	(9,825)	2,614		1,517
Stockholders' Equity	439,741	(6,441)	86,777	42,913	(123,249)	439,741
Total Liabilities and Stockholders' Equity	$444,277	$ 611,859	$ 278,291	$ 119,138	$(123,249)	$1,330,316

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

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Homebuilding	$ 2,022	$ 50,565	$ 882,715	$ 10,229	$	$ 945,531
Financial Services			205	117,803		118,008
Income Taxes (Payables)Receivables	(5,067)	(3,658)	11,893	(2,449)		719
Investments in and amounts due to and from consolidated subsidiaries	378,691	375,514	(668,285)	14,513	(100,433)	
Total Assets	$375,646	$ 422,421	$ 226,528	$ 140,096	$(100,433)	$1,064,258
Liabilities						
Homebuilding	$	$ 14,679	$ 161,759	$ 291	$	$ 176,729
Financial Services				103,569		103,569
Notes Payable		408,206	108			408,314
Stockholders' Equity	375,646	(464)	64,661	36,236	(100,433)	375,646
Total Liabilities and Stockholders' Equity	$375,646	$ 422,421	$ 226,528	$ 140,096	$(100,433)	$1,064,258

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2002
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:						
Homebuilding	$	$ 145	$ 444,636	$ 5,533	$ (5,049)	$ 445,265
Financial Services			1,362	7,625		8,987
Intercompany Charges		30,259	2,483		(32,742)	
Equity In Pretax Income of Consolidated Subsidiaries	29,797				(29,797)	
Total Revenues	$29,797	$ 30,404	$ 448,481	$ 13,158	$ (67,588)	$ 454,252
Expenses:						
Homebuilding		30,404	423,934	575	(35,817)	419,096
Financial Services			558	5,246	(445)	5,359
Total Expenses		30,404	424,492	5,821	(36,262)	424,455
Income Before Income Taxes	29,797		23,989	7,337	(31,326)	29,797
State and Federal Income Taxes	11,636	27	9,349	2,795	(12,171)	11,636
Net Income	$18,161	$ (27)	$ 14,640	$ 4,542	$ (19,155)	$ 18,161

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

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:						
Homebuilding	$	$ 65	$ 286,281	$ 7,516	$ (6,212)	$ 287,650
Financial Services			2,018	3,520		5,538
Intercompany Charges		30,410	(1,954)		(28,456)	
Equity In Pretax Income of Consolidated Subsidiaries	11,560				(11,560)	
Total Revenues	11,560	30,475	286,345	11,036	(46,228)	293,188
Expenses:						
Homebuilding and Other		29,913	283,085	1,254	(36,404)	277,848
Financial Services			1,288	2,589	(97)	3,780
Total Expenses		29,913	284,373	3,843	(36,501)	281,628
Income Before Income Taxes	11,560	562	1,972	7,193	(9,727)	11,560
State and Federal Income Taxes	4,637	352	70	2,814	(3,236)	4,637
Net Income	$ 6,923	$ 210	$ 1,902	$ 4,379	$ (6,491)	$ 6,923

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2002
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows From Operating Activities:						
Net Income	$ 18,161	$ (27)	$ 14,640	$ 4,542	$ (19,155)	$ 18,161
Adjustments to reconcile net income						

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
to net cash provided by (used in) operating activities...	92,738	9,132	(100,389)	26,582	19,155	47,218
Net Cash Provided By (Used In) Operating Activities...........	110,899	9,105	(85,749)	31,124		65,379
Net Cash Provided by (Used In) Investing Activities...............	(43,340)	(1,033)	(79,395)	(74)		(123,842)
Net Cash Provided By(Used In) Financing Activities...............	(1,089)	200,698	(85,428)	(29,978)		84,203
Intercompany Investing and Financing Activities - Net.....................	(66,470)	(188,816)	258,293	(3,007)		
Net Increase (Decrease) In Cash and Cash Equivalents...................		19,954	7,721	(1,935)		25,740
Cash and Cash Equivalents Balance, Beginning of Period................	10	(5,840)	15,616	6,363		16,149
Cash and Cash Equivalents Balance, End of Period......................	$ 10	$ 14,114	$ 23,337	$ 4,428	$	$ 41,889

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

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

Our cash uses during the three months ended January 31, 2002 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, interest, the repurchase of common stock, and the acquisition of the California operations of The Forecast Group, L.P. ("Forecast"). We provided for our cash requirements from housing and land sales, the revolving credit facility, the issuance of a term loan, financial service revenues, and other revenues. We believe that these sources of cash are sufficient to finance our working capital requirements and other needs.

On December 31, 2000, our stock repurchase program to purchase up to 4 million shares of Class A Common Stock expired. As of December 31, 2000, 3,391,047 shares had been purchased under this program. On July 3, 2001, our Board of Directors authorized a revision to our stock repurchase program to purchase up to 2 million shares of Class A Common Stock. As of January 31, 2002, 558,700 have been purchased under this program.

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 $440,000,000 through July 2004. Interest is payable monthly and at various rates of either the prime rate plus .40% or Libor plus 1.85%. We believe that we will be able either to extend the Agreement beyond July 2004 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 January 31, 2002, borrowings under the Agreement were $35,600,000.

The subordinated indebtedness issued by us and outstanding as of January 31, 2002 was $99,747,000 9 3/4% Subordinated Notes due June 2005. The senior indebtedness issued by us and outstanding as of January 31, 2002 was $150,000,000 10 1/2% Senior Notes due October 2007 and $150,000,000 9 1/8% Senior Notes due May 2009.

On January 22, 2002 we issued a $165,000,000 Term Loan to a group of banks which is due January 22, 2007. Interest is payable monthly at either the prime rate plus 1.25% or LIBOR plus 2.5%. The proceeds from the issuance of the Term Loan were primarily used to partially fund the acquisition of the California operations of Forecast.

Our mortgage banking subsidiary borrows under a $110,000,000 bank warehousing arrangement which expires in July 2002. Interest is payable monthly at the Federal Funds Rate plus 1.125%. We believe that we will be able either to extend this agreement beyond July 2002 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of our subsidiaries. As of January 31, 2002, the aggregate principal amount of all such borrowings was $70,728,000.

Total inventory increased $199,716,000 during the three months ended January 31, 2002. The increase in inventory was primarily due to the acquisition of Forecast. In addition inventory levels increased slightly in most of our other housing markets. Substantially all homes under construction or completed and included in inventory at January 31, 2002 are expected to be closed during the next twelve months. Most inventory completed or under development is financed through our line of credit, term loan, and senior 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 residential real estate. The January 31, 2002 numbers exclude lots owned and options in locations that we have ceased development.

	Active Communities	Active Selling Lots	Contracted Not Delivered	Active Lots Available	Proposed Developable Lots	Grand Total Lots Available
January 31, 2002:						
Northeast Region..	23	5,431	1,104	4,327	10,262	14,589
North Carolina....	57	4,519	522	3,997	2,224	6,221
Metro D.C.........	35	3,578	779	2,799	4,701	7,500
California........	35	4,438	568	3,870	3,413	7,283
Texas.............	34	1,638	219	1,419	940	2,359
Mid South.........	18	1,194	108	1,086	--	1,086
	202	20,798	3,300	17,498	21,540	39,038
Owned..........		10,996	2,883	8,113	2,859	10,972
Optioned.......		9,802	417	9,385	18,681	28,066
Total........		20,798	3,300	17,498	21,540	39,038

	Active Communities	Active Selling Lots	Contracted Not Delivered	Active Lots Available	Proposed Developable Lots	Grand Total Lots Available
October 31, 2001:						
Northeast Region..	23	5,561	1,136	4,425	10,314	14,739
North Carolina....	54	4,264	534	3,730	2,312	6,042
Metro D.C.........	34	2,622	779	1,843	4,946	6,789

California........	8	1,499	172	1,327	171	1,498
Texas.............	35	1,788	263	1,525	1,040	2,565
Mid South.........	18	1,279	122	1,157	--	1,157
Other.............	--	17	3	14	992	1,006
	172	17,030	3,009	14,021	19,775	33,796
Owned..........		6,918	2,525	4,393	4,035	8,428
Optioned.......		10,112	484	9,628	15,740	25,368
Total........		17,030	3,009	14,021	19,775	33,796