

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 20, 2000

Hovnanian Enterprises, Inc.

(Exact Name of registrant specified in its charter)

Delaware

(State or other Jurisdiction
of Incorporation)

1-8551

(Commission
File Number)

22-1851059

(I.R.S. Employee
Identification No.)

10 Highway 35, P.O. Box 500
Red Bank, New Jersey 07701

(Address of principal executive offices)
Registrant's telephone number: (732) 747-7800

Item 5. Other Events

On September 20, 2000, Hovnanian Enterprises, Inc. issued a press release, a copy of which is attached hereto as Exhibit 99.1, and incorporated herein by reference, announcing its intention to offer \$150 million principal amount of senior notes due 2007, through a private placement to qualified institutional buyers. The Unaudited Pro Forma Consolidated Financial Statements attached hereto as Exhibit 99.2 were prepared in connection with the offering.

Item 7. Financial Statements, Pro Forma Financial Information and

Exhibits.

(c) Exhibits

- 99.1 Press Release dated September 20, 2000
- 99.2 Unaudited Pro Forma Consolidated Financial Statements

SIGNATURES

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

HOVNANIAN ENTERPRISES, INC.

(Registrant)

By: /s/ Peter S. Reinhart

Peter S. Reinhart
Senior Vice President
General Counsel

Date: September 20, 2000

INDEX TO EXHIBITS

Exhibit Number -----	Exhibit -----
99.1	Press Release dated September 20, 2000
99.2	Unaudited Pro Forma Consolidated Financial Statements

Exhibit Number

Exhibit

99.1

Press Release dated September 20, 2000
Press Release

September 20, 2000 Red Bank, New Jersey -- Hovnanian Enterprises, Inc. (AMEX:HOV) today announced that it plans to offer \$150 million of senior notes due 2007, through a private placement to qualified institutional buyers. The notes will not be registered under the Securities Act and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements under the Act.

Hovnanian Enterprises, Inc. designs, constructs and markets single-family homes, townhomes and condominiums in planned residential communities in New Jersey, North Carolina, Pennsylvania, Virginia, Maryland, New York, California, Texas and Florida in the United States, and in Poland.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Pro Forma Consolidated Financial Statements of Hovnanian Enterprises, Inc.

The following pro forma consolidated financial statements of Hovnanian Enterprises, Inc. ("Hovnanian") give effect to the proposed merger of Washington Homes, Inc. ("Washington Homes") and Hovnanian using the purchase method of accounting. The pro forma consolidated financial statements are based on the unaudited historical consolidated financial statements of Hovnanian and Washington Homes. The pro forma consolidated financial statements are based on the estimates and assumptions set forth in the notes, including Hovnanian management's estimates of the value of the tangible and intangible assets acquired. These estimates and assumptions are preliminary and have been made solely for the purpose of developing the pro forma information.

Under the terms of the merger agreement, Washington Homes' shareholders will receive the equivalent of 1.39 shares of Hovnanian Class A Common shares or \$10.08 in cash for each of the 7,780,961 shares of Washington Homes, subject to certain adjustments. The 1,094,000 stock options held by employees of Washington Homes will be converted to Hovnanian options with a similar aggregate implied value. Of this amount 920,000 employee stock options are vested as of the merger date and the fair value of these options are included as a component of purchase price. Additionally, the 109,000 vested stock options held by non-employees of Washington Homes will be purchased by Hovnanian for the difference of \$10.08 and their respective exercise prices. Accordingly, the total purchase price is estimated to be approximately \$84.0 million, based on Hovnanian's closing share price of \$7 1/16 on August 25, 2000. The agreement includes provisions that limit the maximum amount of cash to 50% of the total consideration, with the balance, not to exceed 60%, paid in Hovnanian shares. The Hovnanian price per share on the day the transaction closes will ultimately be utilized to determine the actual acquisition cost of Washington Homes. In these pro forma consolidated financial statements, Hovnanian management has assumed that 50% of the consideration will be paid in cash and the balance in Hovnanian shares.

The pro forma consolidated balance sheet assumes that the merger took place on July 31, 2000. The pro forma consolidated statements of income for the year ended October 31, 1999 and the nine months ended July 31, 2000 assumes that the merger took place as of November 1, 1998. Additionally, the supplemental pro forma statement of income for the twelve months ended July 31, 2000 assumes the merger took place on August 1, 1999.

The unaudited pro forma consolidated financial statements, are presented for illustrative purposes only and are not indicative of the consolidated financial position or results of operations of future periods that actually would have been realized had Hovnanian and Washington Homes been a consolidated company during the specified periods. The pro forma consolidated financial

statements, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the historical consolidated financial statements of Hovnanian as filed in its (i) Form 10-K for the year ended October 31, 1999 and (ii) Form 10-Q for the nine months ended July 31, 2000 and the historical financial statements of Washington Homes as of and for the three years ended July 31, 2000, including the notes thereto, as filed by Washington Homes on its Form 8-K on September 20, 2000.

HOVNANIAN ENTERPRISES INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JULY 31, 2000
UNAUDITED
(In Thousands)

	Hovnanian Enterprises, Inc.	Pro Forma Washington Homes, Inc.	Pro Forma Adjustments Increase (Decrease)	Pro Forma July 31, 2000
	-----	-----	-----	-----
Assets				
Homebuilding:				
Cash and cash equivalents	\$ 19,268	\$ 14,317	\$ (1)(2)	\$ 33,585
Inventories	616,426	130,573	1,292 (1)	748,291
Property, plant and equipment - net	34,553			34,553
Senior rentals	10,372			10,372
Other	103,135	21,681	152 (1)(3)	124,968
	-----	-----	-----	-----
Total homebuilding	783,754	166,571	1,444	951,769
Financial services	48,928	1,987		50,915
Collateralized mortgage financing	4,561			4,561
Income taxes receivable	4,275	(2,977)	(443)(1)	855
	-----	-----	-----	-----
Total assets	\$ 841,518	\$ 165,581	\$ 1,001	\$ 1,008,100
	=====	=====	=====	=====
Liabilities and stockholders' equity				
Homebuilding:				
Nonrecourse land mortgages	\$ 12,609	\$ 2,314		\$ 14,923
Accounts payable and other liabilities	73,640	42,675		116,315
Customers' deposits	37,149	2,923		40,072
Nonrecourse mortgages secured by operating properties	3,577			3,577
	-----	-----	-----	-----
Total homebuilding	126,975	47,912		174,887
Financial services	41,942	705		42,647
Collateralized mortgage financing	3,147			3,147
Notes payable	423,057	34,009	\$ 39,233 (2)	496,299
	-----	-----	-----	-----
Total liabilities	595,121	82,626	39,233	716,980
	-----	-----	-----	-----
Stockholders' equity:				
Common Stock Class A	172	78	(23)(1)(4)	227
Common Stock Class B	79			79
Paid in capital	45,862	34,566	10,837 (1)(4)(12)	91,265
Retained earnings	228,258	48,311	(48,311)(3)(4)	228,258
Deferred compensation			(735)(12)	(735)
Treasury stock	(27,974)			(27,974)
	-----	-----	-----	-----
Total stockholders' equity	246,397	82,955	(38,232)	291,120
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 841,518	\$ 165,581	\$ 1,001	\$ 1,008,100
	=====	=====	=====	=====

HOVNANIAN ENTERPRISES, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEAR ENDED OCTOBER 31, 1999
UNAUDITED
(In Thousands Except Per Share Data)

	Hovnanian Enterprises, Inc.	(5) Pro Forma Washington Homes, Inc	Pro Forma Adjustments Increase (Decrease)	Pro Forma Year Ended October 31, 1999
Revenues:				
Homebuilding:				
Sale of homes	\$908,553	\$371,873		\$1,280,426
Land sales and other revenues	17,409	5,525		22,934
Total homebuilding	925,962	377,398		1,303,360
Financial services	20,239	3,630		23,869
Collateralized mortgage financing	519			519
Total revenues	946,720	381,028		1,327,748
Expenses:				
Homebuilding:				
Cost of sales	730,025	306,475	\$ 5,034 (7)	1,041,534
Selling, general and administration	81,396	41,209	(590) (6) (12)	122,015
Inventory impairment loss	2,091			2,091
Total homebuilding	813,512	347,684	4,444	1,165,640
Financial services	19,195	3,479		22,674
Collateralized mortgage financing	504			504
Corporate general and administration	28,652			28,652
Interest	30,343	9,330	1,516 (8) (13)	41,189
Other operations	3,897	976	1,468 (9) (13)	6,341
Total expenses	896,103	361,469	7,428	1,265,000
Income before taxes and extraordinary loss	50,617	19,559	(7,428)	62,748
Income taxes	19,674	7,553	(2,028) (9)	25,199
Extraordinary loss	(868)			(868)
Net income	\$ 30,075	\$ 12,006	\$(5,400)	\$ 36,681
Earnings per share:				
Basic	\$ 1.41		(11)	\$1.36
Weighted shares outstanding	21,404		(1)(14)	26,924
Diluted	\$ 1.39		(11)	\$ 1.31
Weighted shares outstanding	21,612		(1)(14)	28,009

HOVNANIAN ENTERPRISES, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED JULY 31, 2000
UNAUDITED
(In Thousands Except Per Share Data)

	Hovnanian Enterprises, Inc.	(5) Pro Forma Washington Homes, Inc	Pro Forma Adjustments Increase (Decrease)	Pro Forma Nine Months Ended July 31, 2000
Revenues:				
Homebuilding:				
Sale of homes	\$ 763,177	\$ 373,389		\$ 1,136,566
Land sales and other revenues	7,651	4,113		11,764
Total homebuilding	770,828	377,502		1,148,330
Financial services	12,859	4,826		17,685
Collateralized mortgage financing	332			332
Total revenues	784,019	382,328		1,166,347
Expenses:				
Homebuilding:				
Cost of sales	614,574	308,948	\$ 3,776	(7) 927,298
Selling, general & administration	76,495	41,674	(464)	(6) (12) 117,705
Inventory impairment loss	1,517			1,517
Total homebuilding	692,586	350,622	3,312	1,046,520
Financial services	13,999	4,099		18,098
Collateralized mortgage financing	283			283
Corporate general and administration	24,361			24,361
Interest	24,256	7,205	1,728	(8) (13) 33,189
Other operations	6,048	674	1,379	(9) (13) 8,101
Total expenses	761,533	362,600	6,419	1,130,552
Income before income taxes	22,486	19,728	(6,419)	35,795
Income taxes	7,485	7,736	(1,788)	(9) 13,433
Net income	\$ 15,001	\$ 11,992	\$ (4,631)	\$ 22,362
Earnings per share:				
Basic	\$.68			(11) \$.81
Weighted shares outstanding	22,089			(1) (14) 27,609
Diluted	\$.68			(11) \$.79
Weighted shares outstanding	22,158			(1) (14) 28,344

HOVNIANIAN ENTERPRISES, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
TWELVE MONTHS ENDED JULY 31, 2000
UNAUDITED
(In Thousands Except Per Share Data)

	(10) Hovnianian Enterprises, Inc. Twelve Months Ended July 31, 2000 -----	(5) Washington Homes, Inc. Twelve Months Ended July 31, 2000 -----	Pro Forma Adjustments Increase (Decrease) -----	Pro Forma Twelve Months Ended July 31, 2000 -----
Revenues:				
Homebuilding:				
Sale of homes	\$ 1,050,636	\$ 459,278		\$ 1,509,914
Land sales and other revenues	13,613	4,858		18,471

Total homebuilding	1,064,249	464,136		1,528,385
Financial services	17,670	5,615		23,285
Collateralized mortgage financing	529			529

Total revenues	1,082,448	469,751		1,552,199

Expenses:				
Homebuilding:				
Cost of sales	850,018	378,857	\$ 3,067	(7)
Selling, general and administration	101,431	51,697	(651)	(6)(12)
Inventory impairment loss	1,975			1,975

Total homebuilding	953,424	430,554	2,416	1,386,394
Financial services	18,836	4,971		23,807
Collateralized mortgage financing	446			446
Corporate general and administration	32,144			32,144
Interest	33,362	9,317	1,512	(8)(13)
Other operations	7,850	899	906	(9)(13)

Total expenses	1,046,062	445,741	4,834	1,496,637

Income before income taxes	36,386	24,010	(4,834)	55,562
Income taxes	12,500	9,391	(1,212)	(9)

Net income	\$ 23,886	\$ 14,619	\$ (3,622)	\$ 34,883
	=====			
Earnings per share:				
Basic	\$ 1.08		(11)	\$ 1.27
Weighted shares outstanding	22,015		(1)(14)	27,535
Diluted	\$ 1.08		(11)	1.23
Weighted shares outstanding	22,135		(1)(14)	28,371

Hovnanian Enterprises, Inc.
Notes to Unaudited Pro Forma Consolidated Financial Statements
(In Thousands Except Per Share Data)

(1) Adjustment reflects the components of its purchase price. Under the terms of the transaction, Hovnanian Enterprises, Inc. ("Hovnanian") will effectively exchange 1.39 shares of Hovnanian Class A Common shares or pay \$10.08 in cash for each share of Washington Homes, Inc. ("Washington Homes"), subject to certain adjustments. The 1,094,000 stock options held by employees of Washington Homes are converted to Hovnanian options with a similar aggregate implied value. Of this amount 920,000 employees' stock options are vested as of the merger date and the fair value of these options are included as a component of purchase price. Additionally, the 109,000 vested stock options held by non-employees of Washington Homes are purchased by Hovnanian for the difference of \$10.08 and their respective exercise prices. Accordingly, the total purchase price is estimated to be approximately \$84.0 million, based on Hovnanian's closing share price of \$7 1/16 on August 25, 2000. The agreement includes provisions that limit the maximum amount of cash to 50% of the total consideration, with the balance not to exceed 60%, paid in Hovnanian shares. In these pro forma consolidated financial statements, Hovnanian management has assumed that 50% of the consideration will be paid in cash and the balance in Hovnanian shares (resulting in 5,519,746 Class A Common shares being issued at a par value per share of \$.01).

The aggregate purchase price approximates the fair value of assets acquired less liabilities assumed.

The following table summarizes the calculation of the purchase price at July 31, 2000:

	(Dollars in thousands)

Merger consideration - Cash (including non-employee stock options)	\$ 38,983
- Hovnanian Class A shares	38,983
- Fair Value of Vested Hovnanian Options	5,739
Transaction costs	250

Total purchase price	\$ 83,955
	=====

- (2) Adjustment reflects the anticipated funding of the cash portion of the purchase price as well as a repayment of the approximately \$34.0 million of existing Washington Homes debt and a draw of \$39.2 million on the existing Hovnanian credit facility.
- (3) Adjustment reflects the write-off of approximately \$.3 million of financing costs in connection with the retirement of certain Washington Homes indebtedness, as described in Note (2) above.
- (4) Adjustment reflects the elimination of the Washington Homes stockholders' equity.

(5) As Washington Homes has a calendar year end of July 31, the pro forma results of operations for the year ended October 31, 1999 and nine months ended July 31, 2000 are based upon the quarterly historical results of operations of Washington Homes as previously filed, conformed to Hovnanian's fiscal year end and Hovnanian's financial statement presentation as follows:

Washington Homes, Inc.
Pro Forma Results of Operations for the Year Ended October 31, 1999
Previously Reported Periods

	Year Ended July 31, 1999	Less: three months Ended October 31, 1998	Add: three Months Ended October 1, 1999
Revenues:			
Homebuilding:			
Sale of Homes	\$353,729	\$67,745	\$85,889
Land Sales & Other Revenues	9,004	1,383	1,534
Total Homebuilding	362,733	69,128	87,423
Financial Services			
Collateralized Mortgage Financing			
Total Revenues	362,733	69,128	87,423
Expenses:			
Homebuilding:			
Cost of Sales	290,934	55,867	69,190
Selling, General & Administration	46,671	9,371	12,033
Inventory Impairment Loss			
Total Homebuilding	337,605	65,238	81,223
Financial Services			
Collateralized Mortgage Financing			
Corporate General & Administration			
Interest	7,356	1,716	1,752
Other Operations	418	97	166
Total Expenses	345,379	67,051	83,141
Income Before Income Taxes	17,354	2,077	4,282
Income Taxes	6,706	808	1,655
Net Income	\$ 10,648	\$ 1,269	\$ 2,627

	Year Ended October 31, 1999	Reclassification Adjustments	Pro Forma Year Ended October 31, 1999
Revenues:			
Homebuilding:			
Sale of Homes	\$371,873		\$371,873
Land Sales & Other Revenues	9,155	(3,630)	5,525
Total Homebuilding	381,028	(3,630)	377,398
Financial Services		3,630	3,630
Collateralized Mortgage Financing			
Total Revenues	381,028		381,028
Expenses:			
Homebuilding:			
Cost of Sales	304,257	2,218	306,475
Selling, General & Administration	49,333	(8,124)	41,209
Inventory Impairment Loss			
Total Homebuilding	353,590	(5,906)	347,684
Financial Services		3,479	3,479
Collateralized Mortgage Financing			
Corporate General & Administration			
Interest	7,392	1,938	9,330
Other Operations	487	489	976
Total Expenses	361,469		361,469
Income Before Income Taxes	19,559		19,559
Income Taxes	7,553		7,553
Net Income	\$ 12,006		\$ 12,006

Washington Homes, Inc.
Pro Forma Results of Operations for the Nine Months Ended July 31, 2000
Previously Reported Periods

	Year Ended July 31, 2000	Less: three months Ended October 31, 1999	Nine Months Ended July 31, 2000
Revenues:			
Homebuilding:			
Sale of Homes	\$459,278	\$85,889	\$373,389
Land Sales & Other Revenues	10,473	1,534	8,939
Total Homebuilding	469,751	87,423	382,328
Financial Services			
Collateralized Mortgage Financing			
Total Revenues	469,751	87,423	382,328
Expenses:			
Homebuilding:			
Cost of Sales	375,014	69,190	305,824
Selling, General & Administration	62,752	12,033	50,719
Inventory Impairment Loss			
Total Homebuilding	437,766	81,223	356,543
Financial Services			
Collateralized Mortgage Financing			
Corporate General & Administration			
Interest	7,224	1,752	5,472
Other Operations	751	166	585
Total Expenses	445,741	83,141	362,600
Income Before Income Taxes	24,010	4,282	19,728
Income Taxes	9,391	1,655	7,736
Net Income	\$ 14,619	\$ 2,627	\$ 11,992

	Reclassification Adjustments	Pro Forma Nine Months Ended July 31, 2000
Revenues:		
Homebuilding:		
Sale of Homes		\$373,389
Land Sales & Other Revenues	(4,826)	4,113
Total Homebuilding	(4,826)	377,502
Financial Services	4,826	4,826
Collateralized Mortgage Financing		
Total Revenues		382,328
Expenses:		
Homebuilding:		
Cost of Sales	3,124	308,948
Selling, General & Administration	(9,045)	41,674
Inventory Impairment Loss		
Total Homebuilding	(5,921)	350,622
Financial Services	4,099	4,099
Collateralized Mortgage Financing		
Corporate General & Administration		
Interest	1,733	7,205
Other Operations	89	674
Total Expenses		362,600
Income Before Income Taxes		19,728
Income Taxes		7,736
Net Income		\$ 11,992

Washington Homes, Inc.
 Pro Forma Results of Operations for the Twelve Months Ended July 31, 2000

Previously Reported

	Twelve Months Ended July 31, 2000 -----	Reclassification Adjustments -----	Pro Forma Twelve Months Ended July 31, 2000 -----
Revenues:			
Homebuilding:			
Sale of Homes	\$ 459,278		\$ 459,278
Land Sales & Other Revenues	10,473	\$ (5,615)	4,858

Total Homebuilding	469,751	(5,615)	464,136
Financial Services		5,615	5,615
Collateralized Mortgage Financing			

Total Revenues	469,751		469,751

Expenses:			
Homebuilding:			
Cost of Sales	375,014	3,843	378,857
Selling, General & Administration	62,752	(11,055)	51,697
Inventory Impairment Loss			

Total Homebuilding	437,766	(7,212)	430,554
Financial Services		4,971	4,971
Collateralized Mortgage Financing			
Corporate General & Administration			
Interest	7,224	2,093	9,317
Other Operations	751	148	899

Total Expenses	445,741		445,741

Income Before Income Taxes	24,010		24,010
Income Taxes	9,391		9,391

Net Income	\$ 14,619		\$ 14,619
	=====		

- (6) Adjustment reflects a reduction in general and administrative expenses. In connection with the merger, Hovnanian management believes that it will realize cost savings related to the elimination of professional fees and other costs associated with the operation of Washington Homes as a public independent company, including legal, audit and tax fees, annual report preparation and printing costs and stock registration and filing fees aggregating \$0.8 million, \$0.7 million and \$0.9 million for the year ended October 31, 1999, for the nine months ended July 31, 2000 and for the twelve months ended July 31, 2000, respectively.
- (7) Represents additional cost of sales for the allocation of the purchase price to homebuilding inventories sold during the period, as if the merger occurred on November 1, 1998 aggregating approximately \$5.0 million, \$3.8 million and \$3.1 million for the year ended October 31, 1999, for the nine months ended July 31, 2000 and for the twelve months ended July 31, 2000, respectively.
- (8) Represents additional interest expense, including interest amortized as homes are delivered, on the draw on the Hovnanian existing credit facility at an interest rate of 8.32% aggregating approximately \$2.1 million, \$2.3 million and \$2.2 million for the year ended October 31, 1999, for the nine months ended July 31, 2000 and for the twelve months ended July 31, 2000, respectively.
- (9) Represents net increases to income tax expense for adjustments to amortization of certain deferred tax assets, reductions in general and administrative expenses, and for the elimination of financing costs partially offset by additional interest expense incurred calculated at Hovnanian's effective tax rate aggregating approximately \$2.0 million, \$1.8 million and \$1.2 million for the year ended October 31, 1999, for the nine months ended July 31, 2000 and for the twelve months ended July 31, 2000, respectively.

(10) The supplemental pro forma statement of operations is based upon the Hovnanian's quarterly historical results of operations as previously filed, as follows:

Pro Forma Results of Operations for the Twelve Months Ended July 31, 2000

	Previously Reported Nine Months Ended July 31, 2000 -----	Three Months Ended October 31, 1999 -----	Twelve Months Ended July 31, 2000 -----
Revenues:			
Homebuilding:			
Sale of Homes	\$ 763,177	\$ 287,459	\$ 1,050,636
Land Sales & Other Revenues	7,651	5,962	13,613

Total Homebuilding	770,828	293,421	1,064,249
Financial Services	12,859	4,811	17,670
Collateralized Mortgage Financing	332	197	529

Total Revenues	784,019	298,429	1,082,448
Expenses:			
Homebuilding:			
Cost of Sales	614,574	235,444	850,018
Selling, General & Administration	76,495	24,936	101,431
Inventory Impairment Loss	1,517	458	1,975

Total Homebuilding	692,586	260,838	953,424
Financial Services	13,999	4,837	18,836
Collateralized Mortgage Financing	283	163	446
Corporate General & Administration	24,361	7,783	32,144
Interest	24,256	9,106	33,362
Other Operations	6,048	1,802	7,850

Total Expenses	761,533	284,529	1,046,062

Income Before Income Taxes	22,486	13,900	36,386
Income Taxes	7,485	5,015	12,500

Net Income	\$ 15,001	\$ 8,885	\$ 23,886
	=====		

- (11) If the shareholders of Washington Homes elect to receive the maximum amount of Hovnanian stock as transaction consideration (60%), then the pro forma financial statements would be adjusted as follows:

Pro Forma Statement of Operations

	Year Ended October 31, 1999	Nine Months Ended July 31, 2000	Twelve Months Ended July 31, 2000
	-----	-----	-----
Net Income	\$36,944	\$22,663	\$35,181
Basic Earnings Per Share	\$ 1.32	\$.79	\$ 1.23
Diluted Earnings Per Share	\$ 1.27	\$.77	\$ 1.20

Pro Forma Balance Sheet at July 31, 2000

Total Liabilities	\$709,926
Shareholders Equity	\$297,989

- (12) Stock options to purchase Washington Homes stock held by the employees of Washington Homes have been converted to Hovnanian options with a similar implied value. The fair value of vested options converted of approximately \$5.7 million has been included as part of the purchase price. The unvested portion of converted options for which a post acquisition service period is required to vest has been valued at their intrinsic value of approximately \$0.7 million and included as a deferred compensation cost, a component of shareholder equity, and will be amortized over the remaining vesting period. Amortization aggregating approximately \$0.3 million, \$0.2 million and \$0.3 million for the year ended October 31, 1999, for the nine months ended July 31, 2000 and for the twelve months ended July 31, 2000, respectively.
- (13) Adjustment reflects the elimination of amortization of financing costs in conjunction with the retirement of certain Washington Homes indebtedness aggregating approximately \$1.0 million, \$0.6 million and \$0.8 million for the year ended October 31, 1999, for the nine months ended July 31, 2000 and for the twelve months ended July 31, 2000, respectively.
- (14) Basic earnings per share are computed based upon the weighted average number of Common Stock Class A and Class B shares outstanding during the period. Diluted earnings per share are computed based upon the increased number of Common Stock Class A shares (including the issuance of 5,519,746 Class A shares in connection with the merger) that would be outstanding assuming the exercise of dilutive Common Stock Class A stock options under the treasury stock method as shown below:

	Pro Forma Year Ended October 31, 1999 -----	Pro Forma Nine Months Ended July 31, 2000 -----	Pro Forma Twelve Months Ended July 31, 2000 -----
Weighted Average Common Stock Class A and Class B Shares - Basic	26, 924	27, 609	27, 535
Common Stock Class A Stock Options	1, 085	735	836
Weighted Average Common Stock Class A and Class B			
Shares - Diluted	----- 28, 009	----- 28, 344	----- 28, 371 =====