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, 2002

(   )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	New York 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.

Indicate by check mark whether the regisrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes (X) No (   )

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity as of April 30, 2002 was $450,643,000.

As of the close of business on January 6, 2003, there were outstanding 23,228,281 shares of the Registrant's Class A Common Stock and 7,439,742 shares of its Class B Common Stock.

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 7, 2003 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 (New Jersey, southern New York state, and eastern Pennsylvania), North Carolina, South Carolina, Metro D.C. (northern Maryland and Virginia), California, Texas, and the Mid South (Tennessee, Alabama, and Mississippi). During the year ended October 31, 2002, we liquidated substantially all of our operations in the Mid-South. 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 base prices ranging from $42,000 to $933,000 with an average sales price in fiscal 2002 of $279,000. We are currently offering homes for sale in 196 communities. Since the incorporation of our predecessor company in 1959, we have delivered in excess of 134,000 homes, including 9,514 homes in fiscal 2002. In addition, we provide financial services (mortgage loans and title insurance) to our homebuilding customers.

We employed approximately 2,370 full-time associates as of October 31, 2002. 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."

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.

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 frequently 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 computerized monitoring systems. 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 - We attempt to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, we contract with subcontractors to construct our homes. Hovnanian has reduced construction and administrative costs by consolidating the number of vendors serving markets and by executing national purchasing contracts with select vendors. 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, Virginia, Maryland, Texas, North Carolina, and California, which 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, 2002, 6.4% of our customers paid in cash and over 71% of our non-cash customers obtained mortgages originated by one of our wholly-owned mortgage banking subsidiaries or our mortgage joint venture in California. Mortgages originated by our wholly-owned mortgage banking subsidiaries are sold in the secondary market.

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 single family detached homes and/or a number of residential buildings containing from two to twenty-four individual homes per building, 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 take down schedules rather than with an obligation to take down 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 have large regional home design galleries in New Jersey, Virginia, Maryland, North Carolina, Texas, and California.

Current base prices for our homes in contract backlog at October 31, 2002 (exclusive of upgrades and options) range from $42,000 to $900,000 in our Northeast Region, from $119,000 to $700,000 in Metro D.C., from $97,000 to $405,000 in North Carolina, from $132,000 to $580,000 in Texas, and from $120,000 to $933,000 in California. 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, 2002	Year Ended October 31, 2001	Year Ended October 31, 2000
	(Housing Revenue in Thousands)		
Northeast Region:			
Housing Revenues........	$ 660,250	$ 570,647	$ 561,422
Homes Delivered.........	2,144	1,860	1,939
Average Price...........	$ 307,952	$ 306,799	$ 289,542
North Carolina(2):			
Housing Revenues........	$ 264,055	$ 255,390	$ 126,596
Homes Delivered.........	1,421	1,449	653
Average Price...........	$ 185,823	$ 176,253	$ 193,868
Metro D.C.(2):			
Housing Revenues........	$ 396,273	$ 310,815	$ 66,137
Homes Delivered.........	1,385	1,294	263
Average Price...........	$ 286,118	$ 240,197	$ 251,471
California(1):			
Housing Revenues........	$ 852,373	$ 280,582	$ 143,729

Homes Delivered.........	3,220	760	480
Average Price..........$	264,712	$ 369,187	$ 299,435

Texas:

Housing Revenues........$	240,181	$ 215,045	$ 186,294
Homes Delivered.........	1,033	1,003	914
Average Price..........$	232,508	$ 214,402	$ 203,823

Mid-South(2):

Housing Revenues........$	48,510	$ 44,372	--
Homes Delivered.........	305	290	--
Average Price..........$	159,049	$ 153,007	--

Other:

Housing Revenues........$	453	$ 16,866	$ 21,288
Homes Delivered.........	6	135	118
Average Price..........$	75,500	$ 124,933	$ 180,407

Combined Total:

Housing Revenues........$	2,462,095	$1,693,717	$1,105,466
Homes Delivered........	9,514	6,791	4,367
Average Price..........$	258,787	$ 249,406	$ 253,141

(1) October 31, 2002 includes Forecast deliveries beginning on January 10, 2002.
(2) October 31, 2001 includes Washington Homes deliveries beginning on January 24, 2001.

The value of our net sales contracts increased 50.2% to $2,432,000 for the year ended October 31, 2002 from $1,619,000 for the year ended October 31, 2001. This increase was the net result of a 39.8% increase in the number of homes contracted to 9,394 in 2002 from 6,722 in 2001. By market, on a dollar basis, the Northeast Region increased 13.4%, Metro D. C. increased 33.1%, Texas increased 8.0%, and California increased 253.9%. The increases in California and Metro D. C. were due to the acquisition of the Forecast Group, L.P. on January 10, 2002 and a full year of operations in Metro D. C. from the merger with Washington Homes on January 23, 2001. The increases in the Northeast Region, and Texas were due to increased sales and increased sales prices. These increases were slightly offset by a 6.5% decrease in sales in North Carolina due to continued slow market conditions.

The following table summarizes our active communities under development as of October 31, 2002. The contracted not delivered and remaining home sites available in our active communities under development are included in the 53,988 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	Homes Delivered	(1) Contracted Not Delivered	(2) Remaining Home Sites Available
Northeast Region.	28	9,442	3,743	1,371	4,328
North Carolina...	64	9,062	3,876	466	4,720
Metro D.C........	27	5,607	2,425	755	2,427
California.......	42	9,952	3,978	955	5,019
Texas............	35	4,459	1,893	277	2,289
Mid-South........	--	274	245	7	22
Total	196	38,796	16,160	3,831	18,805

(1) Includes 636 lots under option and excludes 26 lots under our build on your own lot program.

(2) Of the total home sites available, 959 were under construction or completed (including 205 models and sales offices), 10,912 were under option, and 128 were financed through purchase money mortgages.

The following table summarizes our total started or completed unsold homes as of October 31, 2002:

	Unsold Homes	Models	Total
Northeast Region..................	73	46	119
North Carolina....................	191	32	223
Metro D.C.........................	34	31	65
California........................	193	65	258
Texas.............................	261	31	292
Mid-South.........................	2	--	2
Total	754	205	959

BACKLOG

At October 31, 2002 and October 31, 2001, we had a backlog of signed contracts for 3,857 homes and 3,033 homes, respectively, with sales values aggregating $1,076,728,000 and $773,074,000, respectively. Substantially all of our backlog at October 31, 2002 is expected to be completed and closed within the next twelve months. At November 30, 2002 and 2001, our backlog of signed contracts was 4,051 homes and 3,025 homes, respectively, with sales values aggregating $1,130,807,000 and $770,930,000, 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 each of our housing markets. Controlled land as of October 31, 2002, 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 53,988 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.......	82	14,941	$658,085	$103,447
Owned..............	7	759		28,281
Total...........	89	15,700		131,728
North Carolina:				
Under Option.......	13	2,283	$ 77,719	812
Metro D.C.:				
Under Option.......	47	6,002	$426,421	14,566
Owned..............	7	1,392		23,446
Total...........	54	7,394		38,012
California:				
Under Option.......	30	4,354	$175,117	15,076
Owned..............	1	103		6,288
Total...........	31	4,457		21,364
Texas:				
Under Option.......	15	1,518	$ 59,004	12,454
Totals:				
Under Option.......	187	29,098		146,355
Owned..............	15	2,254		58,015
Combined Total.......	202	31,352		$204,370

(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, 2002, option fees and deposits aggregating approximately $69,534,000 and accrued $13,832,000 for specific performance options.. As of October 31, 2002, we spent an additional $62,989,000 in non-refundable predevelopment costs on such properties.

(2) The book value of $204,370,000 is identified on the balance sheet as "Inventories - land, land options, held for future development or

sale," and does not include inventory in Poland and Florida amounting to $4,463,000 and inventory amounting to $29,168,000 for communities partially under construction.

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, Metro D.C., and the Mid South, 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, where possible, we plan to option developed or partially developed lots. With a limited supply of developed lots in California, we are also optioning parcels of unimproved land for development.

CUSTOMER FINANCING

At our communities, on-site personnel facilitate sales by offering to arrange financing for prospective customers through our mortgage subsidiaries. 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.

Our 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. We originate loans in New Jersey, New York, Pennsylvania, Maryland, Virginia, North Carolina, Texas, and California. During the year ended October 31, 2002, approximately 6.4% of our homebuyers paid in cash and 71% of our non-cash homebuyers obtained mortgages originated by one of our wholly-owned mortgage banking subsidiaries or our mortgage joint venture in California.

Like other mortgage bankers, we customarily sell nearly all of the loans that we originate. Additionally, we sell virtually all of the loan servicing rights to loans we originate. 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.

COMPETITION

Our residential business is highly competitive. We are among the top ten homebuilders in the United States in both homebuilding revenues and home deliveries. 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. Previously owned homes 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.

New Jersey 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.

New Jersey 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 adopted some policies and regulations to 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 and 19,992 square feet in a Middletown, New Jersey condominium office building. We lease office space consisting of 106,549 square feet in various New Jersey and Pennsylvania locations, 49,550 square feet in the Metro D. C. area, 50,956 square feet in various North Carolina locations, 3,688 square feet in various Mid South locations, 13,505 square feet in West Palm Beach, Florida, 48,618 square feet in California, and 23,055 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. Recently the general liability insurance market for homebuilding companies and their suppliers and subcontractors has become very difficult. The availability of general liability insurance has been limited due to a decreased number of insurance companies willing to write for the industry. In addition, those few insurers willing to write liability insurance have significantly increased the premium costs. The Company has been able to obtain general liability insurance but at higher premium costs with higher deductibles. The Company has been advised that a significant number of its subcontractors and suppliers have also had difficulty obtaining insurance that also provides coverage to the Company. While no assurance can be given, the Company believes that it will be able to continue to obtain coverage but at higher total costs.

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

During the fourth quarter of the year ended October 31, 2002 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 New York Stock Exchange and was held by 504 shareholders of record at January 6, 2003. There is no established public trading market for our Class B Common Stock, which was held by 380 shareholders of record at January 6, 2003. 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, 2002, 2001, and 2000:

	Class A Common Stock					
	Oct. 31, 2002		Oct. 31, 2001		Oct. 31, 2000	
Quarter	High	Low	High	Low	High	Low
First........	$22.40	$10.00	$ 9.99	$ 7.19	$ 6.88	$ 5.25
Second.......	$32.40	$19.07	$18.75	$ 8.75	$ 6.62	$ 5.44
Third........	$38.75	$24.31	$19.34	$13.00	$ 6.38	$ 5.44
Fourth.......	$40.56	$24.70	$15.00	$ 9.71	$ 7.94	$ 5.88

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, 2002, 47,619 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 $115,183,000 of retained earnings was free of such restrictions at October 31, 2002. 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. Per common share data and weighted average number of common shares outstanding reflect all stock splits.

	Year Ended				
Summary Consolidated Income Statement Data	October 31, 2002	October 31, 2001	October 31, 2000	October 31, 1999	October 31, 1998
	(In Thousands Except Per Share Data)				
Revenues.....................	$2,551,106	$1,741,990	$1,135,559	$946,414	$937,729
Expenses.....................	2,324,481	1,635,636	1,083,741	895,797	896,437
Income before income taxes and extraordinary loss	226,625	106,354	51,818	50,617	41,292
State and Federal income taxes.	88,347	42,668	18,655	19,674	15,141
Extraordinary loss...........	(582)			(868)	(748)
Net income...................	$ 137,696	$ 63,686	$ 33,163	$ 30,075	$ 25,403
Per Share Data:					
Basic:					
Income before extraordinary loss.......	$ 4.55	$ 2.38	$ 1.51	$ 1.45	$ 1.20
Extraordinary loss.........	(.02)			(.04)	(0.03)
Net income.................	$ 4.53	$ 2.38	$ 1.51	$ 1.41	$ 1.17
Weighted average number of common shares outstanding..	30,405	26,810	21,933	21,404	21,781
Assuming Dilution:					
Income before extraordinary loss.......	$ 4.30	$ 2.29	$ 1.50	$ 1.43	$ 1.19
Extraordinary loss.........	(.02)			(.04)	(0.03)
Net income.................	$ 4.28	$ 2.29	$ 1.50	$ 1.39	$ 1.16
Weighted average number of common shares outstanding..	32,155	27,792	22,043	21,612	22,016

Summary Consolidated Balance Sheet Data	October 31, 2002	October 31, 2001	October 31, 2000	October 31, 1999	October 31, 1998
Total assets................	$1,678,128	$1,064,258	$ 873,541	$712,861	$589,102

Mortgages and notes payable	$ 215,365	$ 111,795	$ 78,206	$110,228	$150,282
Senior notes, participating senior subordinated debentures and subordinated notes	$ 546,390	$ 396,544	$ 396,430	$250,000	$145,449
Stockholders' equity	$ 562,549	$ 375,646	$ 263,359	$236,426	$201,392

Note: See Item 7 "Results of Operations" for impact of our 1999, 2001, and 2002 acquisitions in our 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,				
	2002	2001	2000	1999	1998
Ratio of earnings to fixed charges	4.7	3.1	2.2	3.0	2.5
Ratio of earnings to combined fixed charges and preferred stock dividends	4.7	3.1	2.2	3.0	2.5

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

CRITICAL ACCOUNTING POLICIES

Management believes that the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

Business Combinations - When we make an acquisition of another company, we use the purchase method of accounting in accordance with the Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations". Under SFAS No. 141 (for acquisitions subsequent to June 30, 2001) and APB 16 (for acquisitions prior to June 30, 2001) we record as our cost the estimated fair value of 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 from the date of acquisition.

Income Recognition from Home and Land Sales - Income from home sales is recorded when each home is closed, title is conveyed to the buyer, adequate cash payment has been received and there is no continued involvement.

Income Recognition from Mortgage Loans - Profits and losses relating to the sale of mortgage loans are recognized when legal control pass to the buyer and the sales price is collected.

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 the Statement of Financial Accounting Standards (SFAS)No. 144 "Accounting for the Impairment of or Disposal of Long-Lived Assets" 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. SFAS No. 144 provides accounting guidance for financial accounting and reporting for impairment or disposal of long-lived assets. 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.

Self Insurance Reserves - We are self insured for our worker's compensation and general liability insurance. Reserves have been established based upon actuarial analysis of estimated future losses.

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.

Land Options - Costs are 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. Options that include specific performance terms, which have been triggered, are recorded on the balance sheet as inventory and other liabilities.

Intangible Assets - The intangible assets recorded on our balance sheet are goodwill and a tradename which is an indefinite life intangible asset resulting from company acquisitions. In accordance with the Financial Accounting Standards No. 142 ("SFAS No. 142") " Goodwill and Other Intangible Assets", we no longer amortize goodwill or indefinite life intangibles, but instead assess them periodically for impairment. We performed such assessments utilizing a fair value approach as of October 31, 2002, and determined that no impairment of intangibles existed.

Post Development Completion Costs - In those instances where a development is 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 and is recorded in accounts payable and other liabilities in the accompanying consolidated balance sheets.

CAPITAL RESOURCES AND LIQUIDITY

Our cash uses during the twelve months ended October 31, 2002 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, interest, the repurchase of common stock, the redemption of subordinated indebtedness, the acquisition of the California operations of the Forecast Group, L.P. ("Forecast"), and the acquisition of a land portfolio from another homebuilding company. We provided for our cash requirements from housing and land sales, the revolving credit facility, the issuance of a term loan, the issuance of $150,000,000 senior subordinated notes, the issuance of $100,000,000 senior notes, financial service revenues, and other revenues. We believe that these sources of cash are sufficient to finance our working capital requirements, acquisitions, and other needs.

At October 31, 2002 we had approximately $250.0 million of excess cash. Management anticipates using the excess cash to grow existing operations and fund future acquisitions.

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 receivables, prepaid and other assets, interest and other accrued liabilities, accounts payable, inventory levels, mortgage loans and liabilities, and non-cash charges relating to depreciation, the writeoff of SAP costs, and impairment losses. In 2001 and 2000, a portion of the difference was also due to goodwill amortization. When we are expanding our operations, which was the case in fiscal 2002 and 2001, inventory levels increase causing cash flow from operating activities to decrease. Liabilities also increase as inventory levels increase. The difference between net income and net operating cash flow is our increased efforts to accelerate the cash collection process from closing agents and increases in tax and other liabilities due to a significant increase in business. 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 asset increases, cash flow from operations decrease. Conversely, as such loans decrease, cash flow from operations increase. Depreciation and impairment losses always increase cash flow from operating activities since they are non-cash charges to operations.

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 October 31, 2002, 606,319 shares have been purchased under this program, of which 147,619 were repurchased during the twelve months ended October 31, 2002.

Our homebuilding bank borrowings are made pursuant to an unsecured revolving credit agreement (the "Agreement") that provides a revolving credit line and letter of credit line of up to $440,000,000 through July 2005. 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 2005 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, 2002, there were no borrowings under the Agreement.

On March 26, 2002, we issued $100,000,000 8% Senior Notes due 2012 and $150,000,000 8 7/8% Senior Subordinated Notes due 2012. On April 29, 2002, we used a portion of the proceeds to redeem our 9 3/4% Subordinated Notes due 2005 which had a balance of approximately $99,747,000. The early retirement of these notes resulted in an extraordinary loss of $582,000 net of an income tax benefit of $313,000. Other senior indebtedness issued by us and outstanding as of October 31, 2002 was $150,000,000 10 1/2% Senior Notes due 2007 and $150,000,000 9 1/8% Senior Notes due 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. As of October 31, 2002 borrowings under the Term Loan were $115,000,000.

Our mortgage banking subsidiary borrows up to $150,000,000 under a bank warehousing arrangement that expires in June 2003. Interest is payable monthly at the Federal Funds Rate plus 1.375%. We believe that we will be able either to extend this agreement beyond June 2003 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. As of October 31, 2002 borrowings under the agreement were $85,498,000.

Total inventory increased $341,468,000 during the twelve months ended October 31, 2002. The increase in inventory was primarily due to the acquisition of The Forecast Group, LP ("Forecast") and the purchase of a land portfolio from a builder in our Northeast Region. In addition, inventory levels increased slightly in most of our housing markets except in the Mid-South where we have liquidated our operations and in North Carolina where the market has slowed down. Substantially all homes under construction or completed and included in inventory at October 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, senior and subordinated indebtedness, and cash flows generated from operations.

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, 2002:			
Northeast Region	21,399	1,371	20,028
North Carolina	7,469	466	7,003
Metro D. C.	10,576	755	9,821
California	10,431	955	9,476
Texas	4,084	277	3,807
Mid South	29	7	22
Total	53,988	3,831	50,157
Owned	13,362	3,195	10,167
Optioned	40,626	636	39,990
Total	53,988	3,831	50,157
October 31, 2001:			
Northeast Region	15,875	1,136	14,739
North Carolina	6,576	534	6,042
Metro D. C.	7,568	779	6,789
California	1,670	172	1,498
Texas	2,828	263	2,565
Mid South	1,279	122	1,157
Other	1,009	3	1,006
Total	36,805	3,009	33,796
Owned	10,970	2,525	8,445
Optioned	25,835	484	25,351
Total	36,805	3,009	33,796

We expect to fund future acquisitions of home lots contracted not delivered and remaining lots available principally through cash flows from operations and through our revolving credit agreement.

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

	October 31, 2002			October 31, 2001		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region.	73	33	106	69	48	117
North Carolina...	191	18	209	205	41	246
Metro D.C.....	34	25	59	27	27	54
California....	193	61	254	60	11	71
Texas.........	261	8	269	215	15	230
Mid South.....	2	--	2	54	22	76
Other.........	--	--	--	7	--	7
Total	754	145	899	637	164	801

Financial Services - mortgage loans held for sale consist of residential mortgages receivable of which $91,339,000 and $105,174,000 at October 31, 2002 and October 31, 2001, 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.

RESULTS OF OPERATIONS

Our operations consist primarily of residential housing development and sales in our Northeast Region (New Jersey, southern New York state, and eastern Pennsylvania), North Carolina, Metro D. C. (northern Virginia and Maryland), California, Texas, and the Mid-South (Tennessee, Alabama, and Mississippi). During the year ended October 31, 2002, we substantially liquidated our operations in the Mid-South. 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, 2002	October 31, 2001	October 31, 2000
	(Dollars in Thousands)		
Homebuilding:			
Sale of homes...................	$ 768,378	$ 588,251	$ 196,913
Land sales and other revenues...	31,396	6,076	(6,334)
Financial services................	9,342	12,104	(1,434)
Total change.................	$ 809,116	$ 606,431	$ 189,145
Percent change.................	46.4%	53.4%	20.0%

Homebuilding

Compared to the same prior period, housing revenues increased $768.4 million or 45.4% for the year ended October 31, 2002, increased $588.3 million or 53.2% for the year ended October 31, 2001, and increased $196.9 million or 21.7% for the year ended October 31, 2000. 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, 2002	October 31, 2001	October 31, 2000
	(Dollars in Thousands)		
Northeast Region:			

Housing Revenues	$ 660,250	$ 570,647	$ 561,422
Homes Delivered	2,144	1,860	1,939
North Carolina(2):			
Housing Revenues	$ 264,055	$ 255,390	$ 126,596
Homes Delivered	1,421	1,449	653
Metro D.C.(2):			
Housing Revenues	$ 396,273	$ 310,815	$ 66,137
Homes Delivered	1,385	1,294	263
California(1):			
Housing Revenues	$ 852,373	$ 280,582	$ 143,729
Homes Delivered	3,220	760	480
Texas:			
Housing Revenues	$ 240,181	$ 215,045	$ 186,294
Homes Delivered	1,033	1,003	914
Mid South(2):			
Housing Revenues	$ 48,510	$ 44,372	--
Homes Delivered	305	290	--
Other:			
Housing Revenues	$ 453	$ 16,866	$ 21,288
Homes Delivered	6	135	118
Totals:			
Housing Revenues	$ 2,462,095	$1,693,717	$1,105,466
Homes Delivered	9,514	6,791	4,367

(1) October 31, 2002 includes deliveries from the Forecast Acquisition beginning on January 10, 2002.

(2) October 31, 2001 includes deliveries from the Washington Homes, Inc. merger beginning on January 24, 2001.

The following pro forma information for the years ended October 31, 2002 and 2001 have 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. Total pro forma housing revenues were $2,526,000 and $2,242,000 and total homes delivered were 9,789 and 9,306 as of October 31, 2002 and 2001, respectively.

The increase in housing revenues was primarily due to the acquisition of Forecast and a full year of operations from Washington Homes, Inc. In addition, these increases were due to increased deliveries in the Northeast Region resulting from a land portfolio acquisition in late March 2002, and increased average sales prices in all our markets except California. California's average sales price is down due to the Forecast Group product being mostly lower priced, first time buyer homes.

Unaudited quarterly housing revenues and net sales contracts using base sales prices by market area for the years ending October 31, 2002, 2001, and 2000 are set forth below:

	Quarter Ended			
	October 31, 2002	July 31, 2002	April 30, 2002	January 31, 2002
	(In Thousands)			
Housing Revenues:				
Northeast Region	$ 205,079	$ 177,153	$ 145,249	$ 132,769
North Carolina	70,153	72,437	64,784	56,681
Metro D.C.	137,518	110,030	78,333	70,392
California(1)	316,412	242,631	178,688	114,642
Texas	67,403	65,432	52,820	54,526
Mid South	8,717	13,646	12,512	13,635
Other	--	--	--	453
Total	$ 805,282	$ 681,329	$ 532,386	$ 443,098
Sales Contracts (Net of Cancellations):				
Northeast Region	$ 154,623	$ 148,390	$ 165,148	$ 109,689
North Carolina	49,938	55,660	89,394	53,794
Metro D. C.	88,864	98,828	164,098	78,993
California(1)	283,607	288,885	261,002	84,122
Texas	55,893	54,437	73,145	43,827
Mid South	3,206	6,443	9,053	11,025
Other	--	--	--	340
Total	$ 636,131	$ 652,643	$ 761,840	$ 381,790

(1) Quarter ended January 31, 2002 includes housing revenues and sales contracts from Forecast Homes beginning on January 10, 2002.

	Quarter Ended			
	October 31, 2001	July 31, 2001	April 30, 2001	January 31, 2001
	(In Thousands)			
Housing Revenues:				
Northeast Region	$163,955	$156,366	$126,700	$123,626
North Carolina(2)	77,248	85,887	60,457	31,798
Metro D.C.(2)	89,472	109,535	74,263	36,691
California	109,099	61,830	65,339	44,314
Texas	68,441	62,360	46,434	37,810
Mid South(2)	10,675	18,774	11,846	3,077
Other	830	2,539	8,262	6,089
Total	$519,720	$497,291	$393,301	$283,405
Sales Contracts (Net of Cancellations):				
Northeast Region	$109,585	$119,073	$155,693	$125,433
North Carolina(2)	55,041	59,873	109,483	41,651
Metro D. C.(2)	75,384	77,253	138,957	32,009
California	38,350	66,794	88,620	65,547
Texas	45,299	63,640	64,343	37,177
Mid South(2)	11,801	12,394	20,299	3,806
Other	287	279	442	857
Total	$335,747	$399,306	$577,837	$306,480

(2) Quarter ended January 31, 2001 includes housing revenues and sales contracts from Washington Homes beginning on January 24, 2001.

	Quarter Ended			
	October 31, 2000	July 31, 2000	April 30, 2000	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
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
Other	7,658	3,743	5,087	4,800
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
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
Other	4,571	4,412	10,685	4,193
Total	$270,223	$271,916	$342,720	$217,243

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

	October 31, 2002	October 31, 2001	October 31, 2000
	(Dollars in Thousands)		
Northeast Region:			
Total Contract Backlog	$ 416,264	$322,100	$311,539
Number of Homes	1,397	1,160	1,149
North Carolina:			
Total Contract Backlog	$ 88,291	$103,616	$ 40,635
Number of Homes	466	534	215
Metro D.C.:			
Total Contract Backlog	$ 243,391	$208,888	$ 52,339
Number of Homes	755	779	215
California:			
Total Contract Backlog	$ 267,305	$ 53,338	$ 58,089
Number of Homes	955	172	151
Texas:			
Total Contract Backlog	$ 60,532	$ 64,961	$ 61,703
Number of Homes	277	263	282
Mid South:			
Total Contract Backlog	$ 945	$ 19,734	--

Number of Homes..............	7	122	--
Other:			
Total Contract Backlog........	$ --	$ 437	$ 14,241
Number of Homes..............	--	3	84
Totals:			
Total Contract Backlog........	$1,076,728	$773,074	$538,546
Number of Homes..............	3,857	3,033	2,096

The following pro forma information at October 31, 2001 has been prepared as if the acquisition of Forecast Homes on January 10, 2002 had occurred on October 31, 2001. Total pro forma contract backlog was $863,193 and total homes in backlog were 3,445 as of October 31, 2001.

We have written down or written off certain inventories totaling $8.2, $4.4, and $1.8 million during the years ended October 31, 2002, 2001, and 2000, respectively, to their estimated fair value. See "Notes to Consolidated Financial Statements - Note 11" for additional explanation. These write-downs 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 certain options to purchase land.

During the years ended October 31, 2002, 2001, and 2000, we wrote off residential land options including approval and engineering costs amounting to $4.0, $1.9, and $1.8 million, respectively, which are included in the total write-offs mentioned above. 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, Metro D. C., North Carolina, California, and Poland.

The write-down of residential inventory during the year ended October 31, 2002 was attributed to Poland and the Mid-South. The write-down in Poland was based upon changes in market conditions. In the Mid-South, land was written down based on a purchase offer. We have made a decision to discontinue selling homes in these two markets 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 $4.2 million impairment loss.

During the year ended October 31, 2001, we wrote down two residential communities in the Northeast Region, one community in North Carolina, and two land parcels in Florida. The write-down in the Northeast Region was attributed to two communities that were part of a large land acquisition, which resulted in a loss. The write-downs in North Carolina and Florida were based upon changes in market conditions. The result of the above decisions was a reduction in inventory carrying amounts to fair value, resulting in a $2.5 million impairment loss.

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, 2002	Year Ended October 31, 2001	Year Ended October 31, 2000
	(Dollars In Thousands)		
Sale of homes.............	$2,462,095	$1,693,717	$1,105,466
Cost of sales.............	1,919,941	1,344,708	876,492
Housing gross margin.......	$ 542,154	$ 349,009	$ 228,974
Gross margin percentage....	22.0%	20.6%	20.7%

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

	Year Ended October 31, 2002	Year Ended October 31, 2001	Year Ended October 31, 2000
Sale of homes.............	100.0%	100.0%	100.0%
Cost of sales:			
Housing, land and development costs.......	70.6	71.5	71.1
Commissions.............	2.2	2.3	2.2
Financing concessions....	1.0	1.0	0.9
Overheads...............	4.2	4.6	5.1
Total cost of sales........	78.0	79.4	79.3

Gross margin percentage....	22.0%	20.6%	20.7%

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. We achieved higher gross margins during the year ended October 31, 2002 compared to the same period last year. The consolidated gross margin percentage increased 1.4% from the previous year primarily due to higher sales prices and increased national contract rebates, which slightly lowered our housing costs. Gross margins for the year ended October 31, 2002 increased in our Metro D. C. market, California market, (excluding Forecast communities), and in our highest margin market, the Northeast region. During the year ended October 31, 2001, our gross margin percentage decreased 0.1% from the previous year. This decrease was due to the Washington Homes, Inc. merger, which significantly increased our activity in Metro D. C. and North Carolina and added markets in the Mid-South region that collectively have a lower average sales price and gross margin than the averages for our other markets. On an individual market basis all of our markets showed an increase in gross margin percentage primarily resulting from increased sales prices for the years ended October 31, 2002, 2001, and 2000. The dollar increases in gross margin for each of the three years ended October 31, 2002, 2001, and 2000 were attributed to increased sales, primarily resulting from the acquisition of Forecast Homes in 2002 and the merger with Washington Homes in 2001.

Selling, general, and administrative expenses as a percentage of homebuilding revenues decreased to 7.8% for the year ended October 31, 2002 and decreased to 8.2% for the year ended October 31, 2001 from 9.4% for the year ended October 31, 2000. Such expenses increased to $194.9 million for the year ended October 31, 2002 and increased to $140.1 million for the year ended October 31, 2001 from $104.8 million for the previous year. The percentage decline for the years ended October 31, 2002 and 2001 was due to increased deliveries. The increased spending year over year was primarily due to the acquisition of the Forecast Group in fiscal year 2002 and Washington Homes in fiscal year 2001.

Land Sales and Other Revenues

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

	Year Ended		
	October 31, 2002	October 31, 2001	October 31, 2000
	(In Thousands)		
Land and lot sales...................	$42,312	$11,356	$ 6,549
Cost of sales.......................	35,897	10,646	3,971
Land and lot sales gross margin......	$ 6,415	$ 710	$ 2,578

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 land and lot sales 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 years ended October 31, 2002 and October 31, 2001, financial services provided a $18.2 and $10.0 million pretax profit, respectively. During the year ended October 31, 2000, financial services resulted in a $0.5 million loss before income taxes. The increases in 2002 and 2001 were primarily due to a change in management, reduced costs, increased mortgage loan amounts, and the addition of mortgage operations from the merger with Washington Homes for a full year and the acquisition of Forecast Homes. In addition to our wholly-owned mortgage subsidiaries, customers obtained mortgages from our mortgage joint venture in our Texas division in 2001 and 2000, respectively, and our Forecast division in 2002. In the market areas served by our wholly-owned mortgage banking subsidiaries, approximately 71%, 57%, and 54% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the years ended October 31, 2002, 2001, and 2000, respectively. Servicing rights on new mortgages originated by us will be sold as the loans are closed.

Corporate General and Administrative

Corporate general and administrative expenses include the operations at our headquarters in Red Bank, New Jersey. Such expenses include our executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, construction services, and administration of insurance, quality, and safety. As a percentage of total revenues, such expenses were 2.0%, 2.5%, and 2.9% for the years ended October 31, 2002, 2001, and 2000, respectively. The percentage decrease during the years ended October 31, 2002 and 2001 was due to increased housing revenues. Our long term improvement initiatives included total quality, process redesign, which included the implementation of a software system (net of capitalized expenses), and training. Such initiatives resulted in additional expenses for the years ended October 31, 2002, 2001, and 2000 which were not capitalized amounting to $4.1 million, $7.2 million, and $6.9 million, respectively. During the year ended October 31, 2002 we wrote off $12.4 million of unamortized, capitalized costs associated with these initiatives. See Asset Write-off Section of Management's Discussion.

Interest

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

	Year Ended		
	October 31, 2002	October 31, 2001	October 31, 2000
	(In Thousands)		
Sale of homes..................	$ 59,276	$ 51,046	$ 34,541
Land and lot sales.............	1,095	400	415
Total..........................	$ 60,371	$ 51,446	$ 34,956

Housing interest as a percentage of sale of home revenues amounted to 2.4%, 3.0%, and 3.1% for the years ended October 31, 2002, 2001, and 2000, respectively. The decreases are primarily the result of increased equity and quicker inventory turnover. Inventory turnover is up as a result of the acquisition of Forecast Homes and the merger with Washington Homes where a larger portion of their purchases are finished lots requiring shorter holding periods until homes are delivered.

Other Operations

Other operations consist primarily of miscellaneous residential housing operations expenses, senior residential property operations, amortization of senior and senior subordinated note issuance expenses, earnout payments from homebuilding company acquisitions, amortization of the Forecast consultant's agreement and the right of first refusal agreement, expenses related to exiting our Mid-South market, minority interest relating to joint ventures, corporate owned life insurance loan interest, and contributions. For the year ended October 31, 2002, other operations increased primarily due to the amortization of the Forecast consulting and right of first refusal agreements (starting in 2002), increased amortization of senior and subordinated note issuance expenses, and an increase in minority interest due to a new joint venture in our Northeast Region.

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. At October 31, 2002 all costs have been charged against this accrual.

Asset Write Off

We wrote off costs during the year ended October 31, 2002 associated with SAP, our enterprise-wide operating software, totaling $12.4 million pretax included in Restructuring Charges/Asset Write Off in the accompanying consolidated statements of income or $7.6 million after taxes equal to $0.24 per fully diluted share. These unamortized costs are those associated with the development of the SAP system. We were not successful in implementing SAP, due to the complexities and limitations in the software program. We have $2.1 million initiative costs remaining, all of which will be amortized over the remaining life of the communities using SAP software, which are scheduled to be substantially complete by the end of 2003. We have recently identified an alternative software package that will offer us the information system functionality we need. Our first pilot community is on line and is utilizing this software package.

Recent Accounting Pronouncements

In December 2001, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position 01-6, "Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others", ("SOP 01-6"). SOP 01-6 is effective for annual and interm financial statements issued for fiscal years beginning after December 31, 2001. Under SOP 01-6, Mortgage companies are explicitly subject to new accounting rules and reporting and disclosure requirements, including disclosures about regulatory capital and net worth requirements. SOP 01-6 also requires the carrying amounts of loans and servicing rights to be allocated using relative fair values in a manner consistent with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". We do not anticipate that the adoption of SOP 01-6 will have a material effect on the financial position or results of operations of our Company.

In April 2002, the Financial Accounting Standards Board issued (SFAS) No. 145, "Reporting Gains and Losses from Extinguishment of Debt", which rescinded SFAS No. 4, No. 44, and No. 64 and amended SFAS No. 13. The new standard addresses the income statement classification of gains or losses from the extinguishment of debt and criteria for classification as extraordinary items. We will adopt SFAS No. 145 effective for our fiscal year beginning November 1, 2002. Certain amounts in our prior year financial statements will be reclassified to conform to the new presentation.

In June 2002, the Financial Accounting Standards Board issued (SFAS) No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including certain costs incurred in a restructuring)". SFAS No. 146 requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred as opposed to when the entity commits to an exit plan as prescribed under EITF No. 94-3. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. We do not anticipate that the adoption of SFAS 146 will have a material effect on the financial position or results of operations of our Company.

Total Taxes

Total taxes as a percentage of income before taxes amounted to approximately 39.0%, 40.1%, and 36.0% for the years ended October 31, 2002, 2001, and 2000, respectively. The decrease in this percentage from 2001 to 2002 is primarily attributed to a decrease in the effective federal income tax rate. This decreased federal effective rate is due primarily to a reserve set up in 2001 for potential adjustments. 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 reflected in the balance sheet are recoverable regardless of future income. (See "Notes to Consolidated Financial Statements - Note 10" for an additional explanation of taxes.)

Extraordinary Loss

On April 29, 2002, we redeemed our 9 3/4% Subordinated Notes due 2005. The early retirement of these notes resulted in an extraordinary loss of $582,000 net of income taxes of $313,000.

Inflation

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

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

Mergers and Acquisitions

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 merger we loaned Washington Homes, Inc. approximately $57.0 million to pay off their third party debt. On January 10, 2002 we acquired The Forecast Group, L.P. for a total purchase price of $196.5 million, of which $151.6 million was paid in cash and 2,208,738 shares of our Class A common stock were issued. At the date of acquisition we also paid off approximately $88.0 million of Forecast's third party debt.

Safe Harbor Statement

All statements 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, performance or achievements expressed or implied by the forward looking statements. Such risks, uncertainties and other factors include, but are not limited to:

- Changes in general and local economic and business conditions
- Weather conditions
- Changes in market conditions
- Changes in home prices and sales activity in the markets where the Company builds homes
- Government regulation, including regulations concerning development of land, the homebuilding process, and the environment
- Fluctuations in interest rates and the availability of mortgage financing
- Increases in raw materials and labor costs
- The availability and cost of suitable land and improved lots
- Levels of competition
- Availability of financing to the Company
- Terrorist acts and other acts of war

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, 2002.

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, 2002 and 2001, 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, 2001 to October 31, 2002.

	As of October 31, 2002 for the Year Ended October 31,							
	2003	2004	2005	2006	2007	Thereafter	Total	FMV @ 10/31/02
	(Dollars in Thousands)							
Long Term Debt(1):								
Fixed Rate.......	$14,177	$ 75	$ 81	$ 88	$ 96	$ 550,349	$564,866	$549,991
Average interest rate...........	10.31%	8.38%	8.38%	8.38%	8.38%	9.23%	9.25%	--
Variable rate....	--	--	--	--	$115,000	--	$115,000	$115,000
Average interest rate...........	--	--	--	--	(2)	--	--	--

	As of October 31, 2001 for the Year Ended October 31,							
	2002	2003	2004	2005	2006	Thereafter	Total	FMV @ 10/31/01
	(Dollars in Thousands)							
Long Term Debt(1):								
Fixed Rate.......	$ 8,919	$2,577	$ 75	$ 81	$ 88	$ 400,193	$411,933	$406,192
Average interest rate...........	6.65%	7.04%	8.38%	8.38%	8.38%	9.80%	9.71%	--

(1) Does not include bonds collateralized by mortgages receivable.
(2) Libor plus 2.5%

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, 2002, 2001, and 2000, 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 7, 2003, 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	79	Chairman of the Board and Director of the Company.	l967
Ara K. Hovnanian	45	Chief Executive Officer, President and Director of the Company.	1979
Paul W. Buchanan	52	Senior Vice President-Corporate Controller.	l981
Geaton A. DeCesaris, Jr.	47	President of Homebuilding Operations And Chief Operating Officer and Director of the Company	2001
Kevin C. Hake	43	Vice President, Finance and Treasurer	2000
Peter S. Reinhart	52	Senior Vice President and General Counsel	1978
J. Larry Sorsby	47	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 resigned as a Director of the Company on

September 13, 2002, in which he served since March 1982, for the purpose of reducing the number of non-independent board members.

Mr. DeCesaris was appoiinted President of Homebuilding Operations and Chief Operating Officer in January 2001. From August 1988 to January 2001, he was President, Chief Executive Officer and a Director of Washington Homes, Inc. ("WHI") and from April 1999 Chairman of the Board of WHI.

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.

Mr. Reinhart has been Senior Vice President and General Counsel since April 1985. Mr. Reinhart resigned as a Director of the Company on September 13, 2002, in which he served since December l98l, for the purpose of reducing the number of non-independent board members.

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.

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 7, 2003, which will involve the election of directors.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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 7, 2003, which will involve the election of directors.

The following table provides information as of October 31, 2002 with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (in thousands)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (in thousands)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,276	9.29	1,230
Equity compensation plans not approved by security holders			
Total	3,276	9.29	1,230

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 7, 2003, which will involve the election of directors.

The weighted average interest rate on Mr. K. Hovnanian and Mr. A. Hovnanian related party debt was 1.79%, 3.90%, and 5.87% for the years ended October 31, 2002, 2001, and 2000, respectively. The largest amount of debt outstanding held by Mr. K. Hovnanian for the years ending October 31, 2002, 2001, and 2000 was $22,000, $56,000, and $386,000, respectively. The largest amount of debt outstanding held by Mr. A. Hovnanian for the years ending October 31, 2002, 2001, and 2000 was $1,729,000, $3,002,000, and $3,124,000, respectively. The balance outstanding for both Mr. K. Hovnanian and Mr. Ara Hovnanian at October 31, 2002 was zero. The interest rate on six month Treasury bills at October 31, 2002, 2001, and 2000 was 1.55%, 2.01%, and 6.08%. During the years ended October 31, 2002, 2001, and 2000, we received $62,000, $76,000, and $85,000, respectively, from our affected partnerships.

Item 14 - CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13A-14(c) under the Securities Exchange Act of 1934, as amended) within 90 days of the filing date of this report (the "Evaluation Date") and, based on that evaluation, concluded that, as of the Evaluation Date, we had sufficient controls and procedures for recording, processing, summarizing and reporting information that is required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, within the time periods specified in the SEC's rules and forms.

Since the Evaulation Date, there have not been any significant changes to our internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

Item 15 - EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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.

Exhibits:

3(a) Certificate of Incorporation of the Registrant.(1)

3(b) Certificate of Amendment of Certificate of Incorporation of the Registrant.(5)

3(c) Bylaws of the Registrant.(5)

4(a) Specimen Class A Common Stock Certificate.(5)

4(b) Specimen Class B Common Stock Certificate.(5)

4(c) 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.(6)

4(d) Indenture dated as of October 2, 2000, relating to 10 1/2% Senior Notes between the Registrant and First Union National Bank, including form of 10 1/2% Senior Notes due October 1, 2007.(9)

4(e) Indenture dated March 26, 2002, relating to 8% Senior Notes between the Registrant and First Union National Bank, including form of 8% Senior Notes and 8.875% Senior Subordinated Notes due April 1, 2012.(10)

4(f) Indenture dated March 26, 2002, relating to 8.875% Senior Subordinated Notes between the Registrant and First Union National Bank, including form of 8.875% Senior Subordinated Notes due April 1, 2012.(10)

10(a) Amended and Restated Credit Agreement dated June 21, 2002 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain subsidiaries Thereof, PNC Bank, National Association, First Union National Bank, Fleet National Bank, Bank of America, National Association, Bank One, National Association, Comerica Bank, Guaranty Bank, AmSouth Bank, Key Bank, National Association, National City Bank of Pennsylvania, Washington Mutual Bank FA, and Sun Trust Bank.(7)

10(b) Description of Management Bonus Arrangements.(5)

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

10(d) 1999 Stock Incentive Plan (as amended and restated March 8, 2002).

10(e) 1983 Stock Option Plan (as amended and restated March 8, 2002).

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

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

Properties, Inc.(2)

10(h) Description of Deferred Compensation Plan.(4)

10(i) Senior Executive Short-Term Incentive Plan.(8)

10(j) $165,000,000 Term Loan Credit Agreement.(11)

10(k) $110,000,000 K. Hovnanian Mortgage, Inc. Revolving Credit Agreement dated June 7, 2002.(7)

10(l) First Amendment to K. Hovnanian Mortgage, Inc. Revolving Credit Agreement dated July 25, 2002.(7)

12 Ratio of Earnings to Fixed Charges

21 Subsidiaries of the Registrant.

23 Consent of Independent Auditors

99(a) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

99(b) Certificatiaon of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

(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 Annual Report on Form 10-K for the year ended February 28, 1986 of the Registrant.

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

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

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

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

(7) Incorporated by reference to Exhibits to Quarterly Report on Form 10Q for the quarter ended July 31, 2002 of the Registrant.

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

(9) Incorporated by reference to Exhibits to Registration Statement (No. 333-52836-01) on Form S-4 of the Registrant.

(10) Incorporated by reference to Exhibits to Registration Statement (No. 333-89976-01) on Form S-4 of the Registrant.

(11) Incorporated by reference to Exhibits to Quarterly Report on Form 10Q for the quarter ended April 30, 2002 of the Registrant.

Reports on Form 8-K

(i) On September 4, 2002, the Company filed a report on Form 8-K, Items 7 and 9 relating to certifications made by its principal executive officer and principal financial officer in accordance with Securities and Exchange Commission Order No. 4-460 (June 27, 2002).

(ii) On August 6, 2002, the Company filed a report on Form 8-K, Items 5 and 7, relating to the Company's press release dated August 5, 2002 with respect to July 2002 new home orders.

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	1/24/03
/S/ARA K. HOVNANIAN Ara K. Hovnanian	Chief Executive Officer, President and Director	1/24/03
/S/PAUL W. BUCHANAN Paul W. Buchanan	Senior Vice President Corporate Controller	1/24/03

/S/GEATON A. DECESARIS, JR. Geaton A. DeCesaris, Jr.	President of Homebuilding Operations and Chief Operating Officer and Director	1/24/03
S/SKEVIN C. HAKE Kevin C. Hake	Vice President, Finance and Treasurer	1/24/03
/S/PETER S. REINHART Peter S. Reinhart	Senior Vice President and General Counsel	1/24/03
/S/J. LARRY SORSBY J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	1/24/03

CEO/CFO Section 302 Certification

Each principal executive officer and principal financial officer of the issuer (or persons performing similar functions) must sign separate 302 Certification included with each applicable report filed.

I, Ara K. Hovnanian, certify that:

1) I have reviewed this Form 10K of Hovnanian Enterprises, Inc.

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/S/ARA K. HOVNANIAN
Ara K. Hovnanian
Chief Executive Officer

Dated: January 17, 2003

CEO/CFO Section 302 Certification

Each principal executive officer and principal financial officer of the issuer (or persons performing similar functions) must sign separate 302 Certification included with each applicable report filed.

I, J. Larry Sorsby, certify that:

1) I have reviewed this Form 10K of Hovnanian Enterprises, Inc.

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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

Dated: January 17, 2003

HOVNANIAN ENTERPRISES, INC.

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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, 2002 and 2001 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2002. 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, 2002 and 2001 and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2002 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill.

/S/ERNST AND YOUNG, LLP
Ernst and Young, LLP

New York, New York
December 6, 2002,
except for Note 20, as to which the date is
December 31, 2002

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

ASSETS	October 31, 2002	October 31, 2001
Homebuilding:		
Cash and cash equivalents(Note 5)...............	$ 262,675	$ 10,173

Inventories - At the lower of cost or fair value (Notes 7, 11, and 12):		
Sold and unsold homes and lots under development	843,581	593,149
Land and land options held for future development or sale	238,001	146,965
Total Inventories	1,081,582	740,114
Receivables, deposits, and notes (Note 12)	26,276	75,802
Property, plant, and equipment - net (Note 4)	19,242	30,756
Senior residential rental properties - net (Notes 4 and 7)	9,504	9,890
Prepaid expenses and other assets (Note 15)	86,582	46,178
Goodwill and intangibles (Note 15)	82,275	32,618
Total Homebuilding	1,568,136	945,531
Financial Services:		
Cash	7,315	5,976
Mortgage loans held for sale (Notes 6 and 7)	91,451	105,567
Other assets	11,226	6,465
Total Financial Services	109,992	118,008
Income Taxes Receivable - Including deferred tax benefits (Note 10)		719
Total Assets	$1,678,128	$1,064,258

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	October 31, 2002	October 31, 2001
Homebuilding:		
Nonrecourse land mortgages (Note 7)	$ 11,593	$ 10,086
Accounts payable and other liabilities (Note 16)	298,213	124,125
Customers' deposits (Note 5)	40,422	39,114
Nonrecourse mortgages secured by operating properties (Note 7)	3,274	3,404
Total Homebuilding	353,502	176,729
Financial Services:		
Accounts payable and other liabilities	4,857	5,264
Mortgage warehouse line of credit (Notes 6 and 7)	85,498	98,305
Total Financial Services	90,355	103,569
Notes Payable:		
Term loan (Note 7)	115,000	
Senior notes (Note 8)	396,390	296,797
Senior subordinated notes (Note 8)	150,000	
Subordinated notes (Note 8)		99,747
Accrued interest (Notes 7 and 8)	9,555	11,770
Total Notes Payable	670,945	408,314
Income Taxes Payable - Net of deferred tax benefits (Note 10)	777	
Total Liabilities	1,115,579	688,612
Commitments and Contingent Liabilities (Notes 9, 12, 14 and 15)		
Stockholders' Equity (Notes 13 and 15):		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		

Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 27,453,994 shares in 2002 and 24,599,379 shares in 2001 (including 4,343,240 shares in 2002 and 4,195,621 shares in 2001 held in Treasury)	275	246
Common Stock,Class B,$.01 par value (convertible to Class A at time of sale) -authorized 13,000,000 shares; issued 7,788,061 shares in 2002 and 7,818,927 shares in 2001 (both years include 345,874 shares held in Treasury)	78	78
Paid in Capital	152,977	100,957
Retained Earnings (Note 8)	447,802	310,106
Deferred Compensation	(21)	(127)
Treasury Stock - at cost	(38,562)	(35,614)
Total Stockholders' Equity	562,549	375,646
Total Liabilities and Stockholders' Equity	$1,678,128	$1,064,258

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, 2002	October 31, 2001	October 31, 2000
Revenues:			
Homebuilding:			
Sale of homes	$2,462,095	$1,693,717	$1,105,466
Land sales and other revenues (Notes 12 and 14)	48,241	16,845	10,769
Total Homebuilding	2,510,336	1,710,562	1,116,235
Financial Services	40,770	31,428	19,324
Total Revenues	2,551,106	1,741,990	1,135,559
Expenses:			
Homebuilding:			
Cost of sales	1,955,838	1,355,381	880,463
Selling, general and administrative	194,903	140,126	104,771
Inventory impairment loss (Note 11)	8,199	4,368	1,791
Total Homebuilding	2,158,940	1,499,875	987,025
Financial Services	22,543	21,443	19,750
Corporate General and Administrative(Note 3)	51,974	44,278	33,309
Interest (Notes 7 and 8)	60,371	51,446	34,956
Other operations (Note 15)	18,241	11,583	6,188
Restructuring charges/asset writeoff (Notes 16 and 17)	12,412	3,247	
Goodwill Amortization		3,764	2,513
Total Expenses	2,324,481	1,635,636	1,083,741
Income Before Income Taxes and Extraordinary Loss	226,625	106,354	51,818
State and Federal Income Taxes:			
State (Note 10)	8,993	4,024	2,495
Federal (Note 10)	79,354	38,644	16,160
Total Taxes	88,347	42,668	18,655
Extraordinary Loss From Extinguishment of Debt, Net of Income Taxes (Note 8)	(582)		
Net Income	$ 137,696	$ 63,686	$ 33,163
Per Share Data:			
Basic:			
Income Per Common Share Before Extraordinary Loss	$ 4.55	$ 2.38	$ 1.51
Extraordinary Loss	(.02)		
Income	$ 4.53	$ 2.38	$ 1.51
Weighted Average Number of Common Shares			

Outstanding	30,405	26,810	21,933
Assuming Dilution:			
Income Per Common Share Before Extraordinary Loss	$ 4.30	$ 2.29	$ 1.50
Extraordinary Loss	(.02)		
Income	$ 4.28	$ 2.29	$ 1.50
Weighted Average Number of Common Shares Outstanding	32,155	27,792	22,043

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, 1999	14,508,168	$ 172	7,651,209	$ 79	45,856	$213,257	$	$(22,938)	$ 236,426
Acquisitions	47,619	1			(270)				(269)
Sale of common stock under employee 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
Acquisitions	6,546,932	66			51,361				51,427
Sale of common stock under employee stock option plan	519,673	5			2,885				2,890
Stock bonus plan	63,429	1			625				626
Conversion of Class B to Class A common stock	159,976	1	(159,976)	(1)					
Deferred compensation							(127)		(127)
Treasury stock purchases	(458,700)							(6,215)	(6,215)
Net Income						63,686			63,686
Balance, October 31, 2001	20,403,758	246	7,473,053	78	100,957	310,106	(127)	(35,614)	375,646
Acquisitions	2,402,769	24			48,051				48,075
Sale of common stock under employee stock option plan	357,165	4			3,577				3,581
Stock bonus plan	63,815	1			392				393
Conversion of Class B to Class A common stock	30,866		(30,866)						
Deferred compensation							106		106
Treasury stock purchases	(147,619)							(2,948)	(2,948)
Net Income						137,696			137,696
Balance, October 31, 2002	23,110,754	$ 275	7,442,187	$ 78	$152,977	$447,802	$ (21)	$(38,562)	$ 562,549

See notes to consolidated financial statements.

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

	Year Ended		
	October 31, 2002	October 31, 2001	October 31, 2000
Cash Flows From Operating Activities:			
Net Income	$ 137,696	$ 63,686	$ 33,163
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			

Depreciation	6,506	8,164	6,423
Amortization of Goodwill		3,764	2,513
Loss (gain) on sale and retirement of property and assets	12,328	641	(728)
Extraordinary loss from extinguishment of Debt net of income taxes	582		
Deferred income taxes	(18,307)	(6,265)	2,551
Impairment losses	8,199	4,368	1,791
Decrease (increase) in assets:			
Mortgage notes receivable	14,870	(42,573)	(27,703)
Receivables, prepaids and other assets	38,557	(35,805)	(13,256)
Inventories	(31,573)	12,540	(89,544)
Increase (decrease) in liabilities:			
State and Federal income taxes	21,451	7,004	3,244
Tax effect from exercise of stock options.	(1,335)	(566)	
Customers' deposits	1,006	4,543	6,240
Interest and other accrued liabilities	29,949	15,466	8,222
Post development completion costs	8,545	5,120	(2,555)
Accounts payable	20,066	(3,018)	8,994
Net cash provided by (used in) operating activities	248,540	37,069	(60,645)
Cash Flows From Investing Activities:			
Net proceeds from sale of property and assets	627	5,325	1,517
Purchase of property, equipment, and other fixed assets	(6,903)	(6,777)	(15,607)
Acquisition of homebuilding companies	(137,582)	(37,911)	(3,845)
Investment in and advances to unconsolidated affiliates	(15,828)	(372)	
Net cash (used in) investing activities.	(159,686)	(39,735)	(17,935)
Cash Flows From Financing Activities:			
Proceeds from mortgages and notes	1,895,429	1,472,789	1,433,150
Proceeds from senior debt	99,152		146,430
Proceeds from senior subordinated debt	150,000		
Principal payments on mortgages and notes	(1,880,873)	(1,494,528)	(1,470,805)
Principal payments on subordinated debt	(99,747)		
Purchase of treasury stock	(2,948)	(6,215)	(6,461)
Proceeds from sale of stock and employee stock plan	3,974	3,516	154
Net cash provided by (used in) financing activities	164,987	(24,438)	102,468
Net Increase (Decrease) In Cash	253,841	(27,104)	23,888
Cash and Cash Equivalents Balance, Beginning Of Year	16,149	43,253	19,365
Cash and Cash Equivalents Balance, End Of Year	$ 269,990	$ 16,149	$ 43,253
Supplemental Disclosures Of Cash Flow:			
Cash paid during the year for:			
Interest	$ 62,066	$ 53,100	$ 33,814
Income Taxes	$ 85,203	$ 45,498	$ 12,858
Stock issued for acquisitions/extension of options granted	$ 48,075	$ 51,427	$ 721
Supplemental disclosures of noncash operating activities:			
Inventory capitalized and accrued for specific performance	$ 97,983		

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2002, 2001, AND 2000.

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 (SFAS) No. 131 "Disclosures About Segments of an Enterprise and Related Information" establishes new standards for segment reporting based on the way management organizes segments within a company for making operating decisions and assessing performance. Our financial reporting segments consist of homebuilding, financial services, and corporate. Our homebuilding operations comprise the most substantial part of our business, with approximately 98% of consolidated revenues in the years ended October 31, 2002, 2001, and 2000 contributed by the homebuilding operations. We are a Delaware corporation, currently building and selling homes in more than 196 new home communities in New Jersey, Pennsylvania, New York, Virginia, Maryland, North Carolina, Texas, and California. 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 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 executive services, accounting, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - 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.

Business Combinations - When we make an acquisition of another company, we use the purchase method of accounting in accordance with the Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations" which we adopted on June 30, 2001. Under SFAS 141 we record as our cost the estimated fair value of 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 an acquired company from the date of acquisition.

Income Recognition From Home and Land Sales - Income from home and land sales is recorded when each home is closed, title is conveyed to the buyer, adequate cash payment has been received, and there is no continued involvement.

Income Recognition from Mortgage Loans - Profits and losses relating to the sale of mortgage loans are recognized when all indications of legal control pass to the buyer and the sales price is collected.

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, receivables, customer deposits and notes, accounts payable and other liabilities, mortgages and notes receivable, mortgages and notes payable, our term loan, and the senior and senior subordinated 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 the Statement of Financial Accounting Standards (SFAS)No. 144 "Accounting for the Impairment of or Disposal of Long-Lived Assets" 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. SFAS No. 144, which the Company adopted on November 1, 2001, provides accounting guidance for financial accounting and reporting for impairment or disposal of long-lived assets. 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.

Self Insurance Reserves - We are self insured for our workman's compensation and general liability insurance. Reserves have been established based upon actuarial analysis of estimated future losses.

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.

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. Options that include specific performance terms and such terms have been triggered are recorded on the balance sheet as inventory and other liabilities.

Intangible Assets - The intangible assets recorded on our balance sheet are goodwill and a trademark, which is an indefinite life intangible asset, resulting from company acquisitions. In accordance with the Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets", which we acopted on November 1, 2001, we no longer amortize goodwill or indefinite life intangibles, but instead assess them periodically for impairment. We performed such assessments utilizing a fair value approach as of October 31, 2002, and determined that no impairment of goodwill or intangibles existed. On a pro forma basis adding back goodwill amortization, net income for the years ended October 31, 2001 and 2000 was $65.9 million and $34.8 million, respectively.

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

Debt Issued At a Discount - Debt issued at a discount to the face amount is credited 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 development is 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 and is recorded in accounts payable and other liabilities in the accompanying consolidated balance sheets.

Advertising Costs - Advertising costs are treated as period costs and expensed as incurred. During the years ended October 31, 2002, 2001, and 2000, advertising costs expensed amounted to $23,440,000, $18,536,000, and $14,418,000, 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 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 October 31, 2002, 606,319 have been purchased under this program.

Depreciation - Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of the 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 (SFAS) 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 pro forma net income and earnings per 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 recognized when 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 - Basic earnings per common share is computed using the weighted average number of shares outstanding. 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 shares.

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. 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 per share. Upon entering the application and development phase, the capitalized costs are amortized over the systems estimated useful life. We wrote off the unamortized capitalized costs associated with the development and implementation of the SAP systems during the year ended October 31, 2002, totaling $12.4 million pretax included in Restructuring Charges/Asset Write Off in the accompanying consolidated statements of income, or $7.6 million after taxes equal to $0.24 per fully diluted share (See Note 17). For both years ended October 31, 2001 and 2002 we recorded amortization expense of the SAP system in the amount of approximately $2.0 million based on an estimated useful life of 10 years.

Accounting for Derivative Instruments and Hedging Activities - On November 1, 2000, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards (SFAS) No. 138, which addresses the accounting for and disclosure of derivative instruments, including derivative instruments imbedded in other contracts, and hedging activities. The statement requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change is recognized in earnings.

We manage our interest rate risk on mortgage loans held for sale and our estimated future commitments to originate and close mortgage loans at fixed prices through the use of best-efforts whole loan delivery commitments. These instruments are classified as derivatives and generally have maturities of three months or less. Accordingly, gains and losses are recognized in current earnings during the period of change. The impact of the adoption of the new statement as of November 1, 2000 did not have a significant impact on our earnings or financial position. The effect of SFAS 133 is immaterial to our financial statements.

Accounting Pronouncements Not Yet Adopted - In December 2001, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position 01-6, "Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others", ("SOP 01-6"). SOP 01-6 is effective for annual and interm financial statements issued for fiscal years beginning after December 31, 2001. Under SOP 01-6, Mortgage companies are explicitly subject to new accounting rules and reporting and disclosure requirements, including disclosures about regulatory capital and net worth requirements. SOP 01-6 also required the carrying amounts of loans and servicing rights to be allocated using relative fair values in a manner consistent with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." We have adopted SOP 01-6 effective November 1, 2002. We do not anticipate that the adoption of SOP 01-6 will have a material effect on the financial position or results of operations of our Company.

In April 2002, the Financial Accounting Standards Board issued (SFAS) No. 145, "Reporting Gains and Losses from Extinguishment of Debt", which rescinded SFAS No. 4, No. 44, and No. 64 and amended SFAS No. 13. The new standard addresses the income statement classification of gains or losses from the extinguishment of debt and criteria for classification as extraordinary items. We will adopt SFAS No. 145 effective for our fiscal year beginning November 1, 2002. Certain amounts in our prior year financial statements will be reclassified to conform to the new presentation.

In June 2002, the Financial Accounting Standards Board issued (SFAS) No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including certain costs incurred in a restructuring)". SFAS No. 146 requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred as opposed to when the entity commits to an exit plan as prescribed under EITF No. 94-3. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. We do not anticipate that the adoption of SFAS 146 will have a material effect on the financial position or results of operations of our Company.

Reclassifications - Certain amounts in the 2001 and 2000 consolidated financial statements have been reclassified to conform to the 2002 presentation.

3. CORPORATE INITIATIVES

We have embarked on long term improvement initiatives of total quality, process redesign, and training. Included in Corporate General and Administrative expense is $4,074,000, $7,200,000, and $6,902,000 for the years ended October 31, 2002, 2001, and 2000, 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 and are recorded at cost less accumulated depreciation. Homebuilding accumulated depreciation related to these assets at October 31, 2002 and October 31, 2001 amounted to $18,470,000 and $18,367,000, respectively. In addition we have two senior citizen residential rental communities recorded as senior residential rental properties on the consolidated balance sheets. Accumulated depreciation on senior residential rental properties at October 31, 2002 and October 31, 2001 amounted to $3,054,000 and $2,688,000, respectively.

5. DEPOSITS

We hold escrow cash amounting to $3,455,000 and $4,420,000 at October 31, 2002 and October 31, 2001, respectively, which primarily represents customers' deposits which are restricted from use by us. We are able to release other 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. The remaining deposits are not restricted from use by us.

6. MORTGAGE LOANS HELD FOR SALE

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 with servicing released. At October 31, 2002 and 2001, respectively, $91,339,000 and $105,174,000 of such mortgages were pledged against our mortgage warehouse line (see Note 7). We may incur risk with respect to mortgages that are delinquent, 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, 2002 or 2001.

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 $2,584,000 in 2003, $75,000 in 2004, $81,000 in 2005, $88,000 in 2006, $96,000 in 2007, and $350,000 after 2007. The interest rates on these obligations range from 6.0% to 10.0%.

We have an unsecured Revolving Credit Agreement ("Agreement") with a group of banks which provides up to $440,000,000 through July 2005. Interest is payable monthly and at various rates of either the prime rate plus .40% or LIBOR plus 1.85%. In addition, we pay a fee equal to .375% per annum on the weighted average unused portion of the line. As of October 31, 2002 and 2001, there was no outstanding balance under the Agreement. See Note 19 for loan guarantee.

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. (See Note 15). As of October 31, 2002, borrowings under the Term Loan were $115,000,000. See Note 19 for loan guarantee.

Interest costs incurred, expensed and capitalized were:

	Year Ended		
	October 31, 2002	October 31, 2001	October 31, 2000
	(Dollars in Thousands)		
Interest capitalized at beginning of year..............	$25,124	$25,694	$21,966
Plus acquired entity interest....		3,604	

Plus interest incurred(1)(2).....	57,406	47,272	38,878
Less interest expensed(2)........	60,371	51,446	34,956
Less impairment write-off........			194
Interest capitalized at end of year(2)..................	$22,159	$25,124	$25,694

(1) Data does not include interest incurred by our mortgage and finance subsidiaries.
(2) Represents 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.

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

	October 31, 2002	October 31, 2001	October 31, 2000
	(Dollars In Thousands)		
Average monthly outstanding borrowings.................	$10,717	$ 74,543	$128,788
Average interest rate during period.....................	4.4%	7.1%	10.0%
Average interest rate at end of period(1)...............	3.6%	4.1%	8.4%
Maximum outstanding at any month end..................	$36,425	$120,600	$170,800

(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 is a short-term borrowing, that provides up to $150,000,000 through June 7, 2003. Interest is payable monthly at the Federal Funds Rate plus 1.375% (approximately 3.195% and 3.810% at October 31, 2002 and 2001, respectively) of the outstanding loan balance. The loan is repaid when the underlying mortgage loans are sold to permanent investors by the Company. As of October 31, 2002 borrowings under the agreement were $85,498,000.

8. SENIOR AND SUBORDINATED NOTES

On June 7, 1993, we issued $100,000,000 principal amount of 9 3/4% Subordinated Notes due June 1, 2005. In April 2001, we retired $253,000 of these notes. Interest is payable semi-annually. The notes were 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 April 29, 2002 we used a portion of the proceeds from our March 2002 debt issuance (see below) to redeem the remainder of these notes which resulted in an extraordinary loss of $582,000 net of an income tax benefit of $313,000.

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.

On March 26, 2002, we issued $100,000,000 8% Senior Notes due 2012 and $150,000,000 8 7/8% Senior Subordinated Notes due 2012. The 8% Senior Notes were issued at a discount to yield 8.125% and have been reflected net of the unamortized discount in the accompanying consolidated balance sheet. Interest on both notes is paid 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 proceeds were used to redeem the remaining 9 3/4% Subordinated Notes (see above), repay a portion of our Term Loan Facility (See Note 7), repay the current outstanding indebtedness under our Revolving Credit Agreement, and the remainder for general corporate purposes.

The indentures relating to the Senior and Subordinated Notes and the Revolving Credit Agreement contain a Company guarantee (See Note 19) and restrictions on the payment of cash dividends. At October 31, 2002, $115,183,000 of retained earnings were free of such restrictions.

The fair value of both the Senior Notes and Senior 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 Senior Subordinated Notes is estimated at $398,625,000 and $136,500,000, respectively, as of October 31, 2002.

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 $6,556,000, $3,675,000, and $2,948,000 for the years ended October 31, 2002, 2001, and 2000, respectively. The year over year increases are the result of increased number of participants from acquisitions and increased profit sharing contributions resulting from higher Company Returns on Equity.

10. INCOME TAXES

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

	Year Ended October 31, 2002	Year Ended October 31, 2001
	(Dollars In Thousands)	
State income taxes:		
Current	$ 7,092	$ 3,393
Deferred	(7,088)	(2,262)
Federal income taxes:		
Current	27,541	6,623
Deferred	(26,768)	(8,473)
Total	$ 777	$ (719)

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

	Year Ended October 31, 2002	Year Ended October 31, 2001	Year Ended October 31, 2000
		(Dollars In Thousands)	
Current income tax expense:			
Federal	$ 97,347	$ 48,478	$ 13,609
State(1)	13,808	6,461	1,574
	111,155	54,939	15,183
Deferred income tax (benefit) expense:			
Federal	(18,307)	(9,834)	2,551
State	(4,814)	(2,437)	921
	(23,121)	(12,271)	3,472
Total	$ 88,034	$ 42,668	$ 18,655

(1) The current state income tax expense is net of the use of state loss carryforwards amounting to $45,778,000, $26,830,000, and $21,330,000 for the years ended October 31, 2002, 2001, and 2000.

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

	Year Ended October 31, 2002	Year Ended October 31, 2001
	(Dollars In Thousands)	
Deferred tax assets:		
Maintenance guarantee reserves	$ 659	$ 658
Inventory impairment loss	1,048	2,206
Uniform capitalization of overhead	14,157	6,726
Post development completion costs	8,006	5,319
Acquisition goodwill	2,995	
State net operating loss carryforwards	27,684	27,846
Other	9,999	7,067
Total	64,548	49,822
Valuation allowance(2)	(27,684)	(27,846)

	2002	2001
Total deferred tax assets..........	36,864	21,976
Deferred tax liabilities:		
Deferred interest....................		31
Installment sales....................	72	76
Accelerated depreciation.............	2,936	2,113
Acquisition goodwill.................		3,124
Software development expenses........		5,897
Total deferred tax liabilities.....	3,008	11,241
Net deferred tax assets...............	$33,856	$10,735

(2) The net change in the valuation allowance of $(162,000) results from a decrease 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, 2002	October 31, 2001	October 31, 2000
Computed "expected" tax rate......	35.0%	35.0%	35.0 %
State income taxes, net of Federal income tax benefit..............	2.6	3.2	3.1
Permanent timing differences......	1.4	1.6	1.0
Low income housing tax credit.....	(0.6)	(1.3)	(2.6)
Other.............................	0.6	1.6	(0.5)
Effective tax rate................	39.0%	40.1%	36.0 %

We have state net operating loss carryforwards for financial reporting and tax purposes of $370,257,000 due to expire between the years October 31, 2003 and October 31, 2017.

11. REDUCTION OF INVENTORY TO FAIR VALUE

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, 2001, inventory with a carrying amount of $12,084,000 was written down by $2,088,000 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, 2001 was attributed to two communities in the Northeast Region that were part of a large land acquisition, which resulted in a loss.

As of October 31, 2002, inventory with a carrying amount of $9,400,000 was writen down by $4,163,000 to its fair market. As of October 31, 2001, inventory with a carrying amount of $1,391,000 was written down by $424,000 to its fair value. The writedowns during the year ended October 31, 2002 were attributed to two properties in Poland and one community in the Mid-South. The writedowns were attributed to market conditions coupled with our plan to exit both Poland and the Mid-South. The writedowns during the year ended October 31, 2001 were attributed to two land parcels in Florida and one community in North Carolina. The writedowns in Florida and North Carolina were based upon changes in market conditions.

The total aggregate impairment losses, which are presented in the consolidated statements of income and deducted from inventory held for future development or sale were $4,163,000, $2,512,000, and $0 for the years ended October 31, 2002, 2001, and 2000, respectively.

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, 2002, 2001, and 2000 write-offs amounted to $4,036,000, $1,856,000 and $1,791,000, respectively. During the years ended October 31, 2002, 2001, and 2000 we did not exercise options in various locations because the communities pro forma profitability did not produce adequate returns on investment commensurate with the risk. Those communities were located in New Jersey, New York, Metro D. C., North Carolina, California, and Poland.

12. TRANSACTIONS WITH RELATED PARTIES

Our Board of Directors had 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, 2002 and 2001 included in receivables, deposits and notes are related party receivables from officers and directors amounting to zero and $1,119,000, respectively. Interest income from these loans for the years ended October 31, 2002, 2001, and 2000 amounted to $18,000, $84,000, and $167,000, 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, 2002, 2001, and 2000 we received $62,000, $76,000, and $85,000, respectively, in fees for such management services. At October 31, 2002, no amounts were due us by these partnerships.

During the year ended October 31, 2001 we entered into an agreement to purchase land from an entity that is owned by a family relative of our Chairman of the Board and our Chief Executive Officer. As of October 31, 2002 and 2001, land aggregating $10,293,000 and $2,384,000, respectively, has been purchased. The Company remains obligated under a land purchase agreement to purchase an additional $16.6 million of land from this entity over the next two years. Neither the Company nor the Chairman of the Board and Chief Executive Officer has a financial interest in the relative's company from whom the land was purchased.

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. Certain Washington Homes associates were granted and held options to purchase Washington Homes stock prior to the January 23, 2001 merger. These options vest in three installments: 25% on the first and second anniversary, and 50% on the third anniversary of the date of the grant. In connection with the merger (See Note 15) the options were exchanged for options to purchase the Company's Class A Common Stock. In 2000 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 year ended October 31, 2002 each of the four outside directors of the Company were granted options to purchase 7,500 shares. During the year ended October 31, 2000 each of the three outside directors of the Company were granted options to purchase 5,000 shares. All shares granted to the outside directors were issued at the same price and terms as those granted to officers and key employees. Stock option transactions are summarized as follows:

	October 31, 2002	Weighted Average Fair Value (1) And Exercise Price	October 31, 2001	Weighted Average Fair Value (1) And Exercise Price	October 31, 2000	Weighted Average Fair Value (1) And Exercise Price
Options outstanding at beginning of period.	2,280,657	$ 7.52	1,980,500	$7.55	1,656,000	$8.02
Granted............	545,500	$15.12	1,058,785	$5.81	444,500	$6.10
Exercised..........	357,165	$ 6.28	519,673	$4.29		
Forfeited..........	30,000	$ 7.72	238,955	$7.67	120,000	$8.60
Options outstanding at end of period.......	2,438,992	$ 9.40	2,280,657	$7.44	1,980,500	$9.44
Options exercisable at end of period.......	1,089,513		1,451,718		1,276,708	
Price range of options outstanding.........	$2.66-$34.75		$2.66-$15.08		$5.13-$11.50	
Weighted-average remaining contractual life................	6.0 yrs.		6.0 yrs.		7.0 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

(SFAS) No. 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 SFAS 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 2002, 2001, and 2000: risk- free interest rate of 4.3%, 4.4%, and 5.9%, respectively; dividend yield of zero; volatility factor of the expected market price of our common stock of 0.43 , 0.38, and 0.41, respectively; and a weighted-average expected life of the option of 5.5, 5.1, and 7.0 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 (dollars in thousands except for earnings per share information):

	Year Ended		
	October 31, 2002	October 31, 2001	October 31, 2000
Pro forma net income................	$ 137,136	$ 63,491	$ 32,322
Pro forma basic earnings per share..	$ 4.51	$ 2.37	$ 1.47
Pro forma diluted earnings per share	$ 4.26	$ 2.28	$ 1.47

During the year ended October 31, 1999, we modified our bonus plan for certain associates. A portion of their bonus is paid by issuing a deferred right to receive our Class A Common Stock. The number of shares is 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 years ended October 31, 2002 and 2001, we issued 63,815 and 84,962 shares under the plan. During the years ended October 31, 2002 and 2001 7,355 and 41,550 shares were forfeited under this plan, respectively. For the years ended October 31, 2002, 2001, and 2000, approximately 242,000, 319,000, and 281,000 deferred rights were awarded in lieu of $6,291,000, $3,857,000, and $1,923,000 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, 2002 and 2001, respectively, we are obligated under various performance letters of credit amounting to $99,984,000 and $51,647,000. (See Note 5).

15. ACQUISITIONS

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 valued at $44.9 million were issued and options were issued to Washington Homes, Inc. employees with an intrinsic value of $3.4 million were converted to 738,785 of our options. At the date of acquisition we loaned Washington Homes, Inc. approximately $57,000,000 to pay off their third party debt.

On January 10, 2002 we acquired the California homebuilding operations of The Forecast Group, LP ("Forecast") for a total purchase price of $196.5 million, of which $151.6 million was paid in cash 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. As of October 31, 2002, we have purchased $8.1 million of these land parcels. 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 a tradename, which is an indefinite life intangible asset.

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

	January 10, 2002
Cash and cash equivalents........	$ 10,209
Inventories......................	220,110
Tradename intangible.............	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 of the assets and liabilities 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 $49.8 million for Washington Homes and Forecast, respectively, were recorded as goodwill and a tradename, which is an indefinite life intangible asset 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 (SFAS) No. 142, "Goodwill and Other Intangible Assets". Indefinite life intangible assets are not amortized. As a result of adopting SFAS No. 142, we no longer amortize goodwill or indefinite life intangibles, but instead assess them periodically for impairment. We performed a fair value analysis as of October 31, 2002 and determined that no impairment of goodwill or intangibles existed.

The following unaudited pro forma financial data for the years ended October 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.

	Year Ended October 31,	
	2002	2001
	(In Thousands Except Per Share)	
Revenues...........................	$2,615,455	$2,308,130
Expenses...........................	2,383,466	2,145,759
Income Taxes.......................	90,445	64,387
Extraordinary Loss.................	(582)	
Net Income.........................	$ 140,962	$ 97,984
Diluted Net Income Per Common Share.....................	$ 4.33	$ 3.12

16. 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. At October 31, 2002 all costs have been charged against this accrual.

17. ASSET WRITE OFF

We wrote off costs during the year ended October 31, 2002 associated with SAP, our enterprise-wide operating software, totaling $12.4 million pretax included in Restructuring Charges/Asset Write Off in the accompanying consolidated statements of income or $7.6 million after taxes equal to $0.24 per fully diluted share. These unamortized costs are those associated with the development of the SAP system. We were not successful in implementing SAP, due to the complexities and limitations in the software program. We have $2.1 million initiative costs remaining, all of which will be amortized over the remaining life of the communities using SAP software, which are scheduled to be substantially complete by the end of 2003.

18. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY INFORMATION

Summarized quarterly financial information for the years ended October 31, 2002 and 2001 is as follows:

	Three Months Ended			
	October 31, 2002	July 31, 2002	April 30, 2002	January 31, 2002
	(In Thousands Except Per Share Data)			
Revenues.....................	$831,410	$704,636	$560,998	$454,062
Expenses.....................	$739,011	$642,675	$518,530	$424,265
Income before income taxes and extraordinary loss.........	$ 92,399	$ 61,961	$ 42,468	$ 29,797
State and Federal income tax.	$ 37,961	$ 22,774	$ 15,976	$ 11,636
Extraordinary loss from extinguishment of debt, net of income taxes......................			$ (582)	
Net Income..................	$ 54,438	$ 39,187	$ 25,910	$ 18,161
Per Share Data:				
Basic:				
Income per common share before extraordinary loss.......	$ 1.75	$ 1.27	$ 0.86	$ 0.63
Extraordinary loss.........			$ (0.02)	
Net Income.................	$ 1.75	$ 1.27	$ 0.84	$ 0.63
Weighted average number of common shares outstanding	31,089	30,877	30,670	28,965
Assuming Dilution:				
Income per common share before extraordinary loss.......	$ 1.66	$ 1.20	$ 0.82	$ 0.60
Extraordinary loss.........			$ (0.02)	
Net Income.................	$ 1.66	$ 1.20	$ 0.80	$ 0.60
Weighted average number of common shares outstanding	32,886	32,703	32,402	30,456

	Three Months Ended			
	October 31, 2001	July 31, 2001	April 30, 2001	January 31, 2001
	(In Thousands Except Per Share Data)			
Revenues......................	$537,212	$509,250	$402,340	$293,188
Expenses......................	$500,270	$473,965	$379,773	$281,628
Income before income taxes.....	$ 36,942	$ 35,285	$ 22,567	$ 11,560
State and Federal income tax...	$ 15,251	$ 14,273	$ 8,507	$ 4,637
Net Income....................	$ 21,691	$ 21,012	$ 14,060	$ 6,923
Per Share Data:				
Basic:				
Net Income...................	$ 0.77	$ 0.74	$ 0.50	$ 0.31
Weighted average number of common shares outstanding..	28,288	28,375	28,176	22,286
Assuming Dilution:				
Net Income...................	$ 0.74	$ 0.71	$ 0.48	$ 0.30

Weighted average number of common shares outstanding..	29,227	29,623	29,472	22,732

19. 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, October 2, 2000, and March 26, 2002 and Senior Subordinated Notes on March 26, 2002.

The Subsidiary Issuer acts as a finance and management entity that as of October 31, 2002 had issued and outstanding approximately $150,000,000 senior subordinated notes, $400,000,000 face value senior notes, a term loan with an outstanding balance of $115,000,000, and a revolving credit agreement with an outstanding balance of zero. The senior subordinated notes, senior notes, the revolving credit agreement, and the 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 in 2001 and 2002 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, subordinated notes, revolving credit agreement and term loan 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 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, 2002
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Homebuilding.......................	$ 1,501	$ 261,107	$1,269,514	$ 36,014	$	$1,568,136
Financial Services.................			111	109,881		109,992
Investments in and amounts due to and from consolidated subsidiaries....................	584,103	432,130	(628,246)	(34,316)	(353,671)	
Total Assets.......................	$585,604	$ 693,237	$ 641,379	$ 111,579	$ (353,671)	$1,678,128
Liabilities						
Homebuilding.......................	$	$ 35,736	$ 314,171	$ 3,595	$	$ 353,502
Financial Services.................				90,355		90,355
Notes Payable......................		661,390	2,345	7,210		670,945
Income Taxes Payable (Receivables).	23,055	(3,147)	(18,184)	(947)		777
Stockholders' Equity..............	562,549	(742)	343,047	11,366	(353,671)	562,549
Total Liabilities and Stockholders' Equity..........................	$585,604	$ 693,237	$ 641,379	$ 111,579	$ (353,671)	$1,678,128

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

	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
CONSOLIDATING CONDENSED STATEMENT OF INCOME
TWELVE MONTHS ENDED OCTOBER 31, 2002
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
Revenues:						
Homebuilding	$	$ 1,059	$2,523,632	$ 14,093	$ (28,448)	$2,510,336
Financial Services			7,153	33,617		40,770
Intercompany Charges		139,502	21,183		(160,685)	
Equity In Pretax Income of Consolidated Subsidiaries	226,625				(226,625)	
Total Revenues	226,625	140,561	2,551,968	47,710	(415,758)	2,551,106
Expenses:						
Homebuilding		140,561	2,312,199	18,165	(168,987)	2,301,938
Financial Services			2,397	20,324	(178)	22,543
Total Expenses		140,561	2,314,596	38,489	(169,165)	2,324,481
Income(Loss) Before Income Taxes	226,625		237,372	9,221	(246,593)	226,625
State and Federal Income Taxes	88,347	(195)	89,530	5,797	(95,132)	88,347
Extraordinary Loss From Extinguishment of Debt, Net of Income Taxes	(582)	(582)			582	(582)
Net Income (Loss)	$137,696	$ (387)	$ 147,842	$ 3,424	$ (150,879)	$ 137,696

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING CONDENSED STATEMENT OF INCOME
TWELVE MONTHS ENDED OCTOBER 31, 2001
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
Revenues:						
Homebuilding	$	$ 431	$1,701,421	$ 46,190	$ (37,480)	$1,710,562
Financial Services			10,391	21,037		31,428
Intercompany Charges		96,368	30,480		(126,848)	
Equity In Pretax Income of Consolidated Subsidiaries	106,354				(106,354)	
Total Revenues	106,354	96,799	1,742,292	67,227	(270,682)	1,741,990
Expenses:						
Homebuilding		96,799	1,637,265	8,935	(128,806)	1,614,193
Financial Services			5,748	15,821	(126)	21,443
Total Expenses		96,799	1,643,013	24,756	(128,932)	1,635,636

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Income (Loss) Before Income Taxes	106,354		99,279	42,471	(141,750)	106,354
State and Federal Income Taxes....	42,668	109	39,278	16,448	(55,835)	42,668
Net Income (Loss)................	$63,686	$ (109)	$ 60,001	$ 26,023	$ (85,915)	$ 63,686

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	$1,112,173	$ 21,397	$ (17,726)	$1,116,235
Financial Services..............			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	1,152,706	34,693	(186,100)	1,135,559
Expenses:						
Homebuilding....................		66,232	1,094,207	2,831	(99,279)	1,063,991
Financial Services..............			4,591	15,426	(267)	19,750
Total Expenses................		66,232	1,098,798	18,257	(99,546)	1,083,741
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 CASH FLOWS
TWELVE MONTHS ENDED OCTOBER 31, 2002
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid-iaries	Non-Guarantor Subsidiaries	Elimin-ations	Consol-idated
Cash Flows From Operating Activities:						
Net Income........................	$137,696	$ (387)	$ 147,841	$ 3,425	$ (150,879)	$137,696
Adjustments to reconcile net income to net cash provided by (used in) operating activities..	122,389	23,716	(217,049)	30,909	150,879	110,844
Net Cash Provided By (Used In) Operating Activities..........	260,085	23,329	(69,208)	34,334		248,540
Net Cash Provided By (Used In) Investing Activities............	(48,775)	(6,875)	(104,202)	166		(159,686)
Net Cash Provided By (Used In) Financing Activities............	(2,948)	264,846	(83,298)	(13,613)		164,987
Intercompany Investing and Financing Activities - Net................	(208,362)	(56,616)	284,781	(19,803)		
Net Increase (Decrease)...........		224,684	28,073	1,084		253,841
In 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	$ 218,844	$ 43,689	$ 7,447	$ --	$269,990

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

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows From Operating Activities:						
Net Income	$ 63,686	$ (109)	$ 60,001	$ 26,023	$ (85,915)	$ 63,686
Adjustments to reconcile net income to net cash provided by (used in) operating activities	102,908	99,063	(264,122)	(50,381)	85,915	(26,617)
Net Cash Provided By (Used In) Operating Activities	166,594	98,954	(204,121)	(24,358)		37,069
Net Cash Provided By (Used In) Investing Activities	(49,622)	(3,770)	13,393	264		(39,735)
Net Cash Provided By (Used In) Financing Activities	(6,215)	114	(59,549)	41,212		(24,438)
Intercompany Investing and Financing Activities - Net	(110,684)	(118,767)	243,387	(13,936)		
Net Increase (Decrease)	73	(23,469)	(6,890)	3,182		(27,104)
In 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	$ 10	$ (5,840)	$ 15,616	$ 6,363	$ --	$ 16,149

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

20. Subsequent Event (Unaudited)

During the first quarter we purchased two Houston based homebuilders for approximately $100.0 million.

1999 HOVNANIAN ENTERPRISES, INC
STOCK INCENTIVE PLAN

(As amended and restated March 8th, 2002)

1. Purpose of the Plan

The purpose of the Plan is to aid the Company and its Affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of the Company and its Affiliates by providing incentives through the granting of Awards. The Company expects that it will benefit from the added interest which such key employees, directors or consultants will have in the welfare of the Company as a result of their proprietary interest in the Company's success.

2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.

(b) Affiliate: With respect to the Company, any entity directly or indirectly controlling, controlled by, or under common control with, the Company or any other entity designated by the Board in which the Company or an Affiliate has an interest.

(c) Award: An Option, Stock Appreciation Right or Other Stock-Based Award granted pursuant to the Plan.

(d) Beneficial Owner: A "beneficial owner", as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).

(e) Board: The Board of Directors of the Company.

(f) Change in Control:

The occurrence of any of the following events:

(i) any Person (other than a Person holding securities representing 10% or more of the combined voting power of the Company's outstanding securities as of the Effective Date, or any Family Member of such a Person, the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the Beneficial Owner, directly or indirectly, of securities of the Company, representing 50% or more of the combined voting power of the Company's then-outstanding securities;

(ii) during any period of twenty-four consecutive months (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board, and any new director (other than (A) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 2(f) (i) , (iii) or (iv) of the Plan or (B) a director nominated by any Person (including the Company) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control) whose election by the Board or nomination for election by the Company's shareholders was approved in advance by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the consummation of any transaction or series of transactions under which the Company is merged or consolidated with any other company, other than a merger or consolidation which would result in the shareholders of the Company immediately prior thereto continuing to own (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 65% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(iv) the Company undergoes a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a liquidation of the Company into a wholly-owned subsidiary.

(g) Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.

(h) Committee: The Compensation Committee of the Board.

(i) Company: Hovnanian Enterprises, Inc., a Delaware corporation.

(j) Disability: Inability of a Participant to perform in all material respects his duties and responsibilities to the Company, or any Subsidiary of the Company, by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Board may reasonably determine in good faith. The Disability determination shall be in the sole discretion of the Board and a Participant (or his representative) shall furnish the Board with medical evidence documenting the Participant's disability or infirmity which is satisfactory to the Board.

(k) Effective Date: March 5,1999

(l) Fair Market Value: On a given date, the arithmetic mean of the high and low prices of the Shares as reported on such date on the Composite Tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such Shares are listed or admitted to trading, or, if the Shares are not listed or admitted on a national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith. If no sale of Shares shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used.

(m) Family Member:

(i) any Person holding securities representing 10% or more of the combined voting power of the Company's outstanding securities as of the Effective Date;

(ii) any spouse of such a person;

(iii) any descendant of such a person;

(iv) any spouse of any descendant of such a person; or

(v) any trust for the benefit of any of the aforementioned persons.

(n) ISO: An Option that is also an incentive stock option granted pursuant to Section 6(d) of the Plan.

(o) LSAR: A limited stock appreciation right granted pursuant to Section 7(d) of the Plan.

(p) Other Stock-Based Awards: Awards granted pursuant to Section 8 of the Plan.

(q) Option: A stock option granted pursuant to Section 6 of the Plan.

(r) Option Price: The purchase price per Share of an Option, as determined pursuant to Section 6(a) of the Plan.

(s) Participant: An employee, director or consultant who is selected by the Committee to participate in the Plan.

(t) Performance-Based Awards: Certain Other Stock-Based Awards granted pursuant to Section 8(b) of the Plan.

(u) Person: A "person", as such term is used for purposes of Section 13 (d) or 14(d) of the Act (or any successor section thereto).

(v) Plan: The 1999 Hovnanian Enterprises, Inc. Stock Incentive Plan.

(w) Shares: Shares of common stock of the Company.

(x) Stock Appreciation Right: A stock appreciation right granted pursuant to Section 7 of the Plan.

(y) Subsidiary: A subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto)

3. Shares Subject to the Plan

The total number of Shares which may be issued under the Plan is 1,500,000. The maximum number of Shares for which Options or Stock Appreciation Rights may be granted during a calendar year to any Participant shall be 300,000. The Shares may consist, in whole or in part, of unissued Shares or treasury Shares. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Plan, as applicable. Shares which are subject to Awards which terminate or lapse may be granted again under the Plan.

4. Administration

The Plan shall be administered by the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are each "non-employee directors" within the meaning of Rule 16b-3 under the Act (or any successor rule thereto) and "outside directors" within the meaning of Section 162(m) of the Code (or any successor section thereto); provided, however, that any action permitted to be taken by the Committee may be taken by the Board, in its discretion. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administrations of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to Participants and their beneficiaries or successors. Determinations made by the Committee under the Plan need not be uniform and may be made selectively among Participants, whether or not such Participants are similarly situated. The Committee shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other, taxes as a result of the exercise of an Award. Unless the Committee specifies otherwise, the Participant may elect to pay a portion or all of such withholding taxes by (a) delivery in Shares or (b) having Shares withheld by the Company from any Shares that would have otherwise been received by the Participant. The number of Shares so delivered or withheld shall have an aggregate Fair Market Value sufficient to satisfy the applicable withholding taxes. If the chief executive officer of the Company is a member of the Board, the Board by specific resolution may constitute such chief executive officer as a committee of one which shall have the authority to grant Awards of up to an aggregate of 300,000 Shares in each calendar year to Participants who are (i) not subject to the rules promulgated under Section 16 of the Act (or any successor section thereto) or (ii) covered employees (or anticipated to become covered employees) as such term is defined in Section 162(m) of the Code; provided, however, that such chief executive officer shall notify the Committee of any such grants made pursuant to this Section 4.

5. Limitations

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

6. Terms and Conditions of Options

Options granted under the Plan shall be, as determined by the Committee, non-qualified or incentive stock options for federal income tax purposes, as evidenced by the related Award agreements, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

(a) Option Price. The Option Price per Share shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of the Shares on the date an Option is granted.

(b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event shall an Option be exercisable more than ten years after the date it is granted. The Committee may, in its discretion, accelerate the date after which Options may be exercised in whole or in part. If the chief executive officer of the Company is a member of the Board, the Board by specific resolution may constitute such chief executive officer as a committee of one which shall have the authority to accelerate the date after which Options may be exercised in whole or in part.

(c) Exercise of Options. Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of Section 6 of the plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Company and, if applicable, the date payment is received by the Company pursuant to clauses (i), (ii), (iii) or (iv) in the following sentence. The purchase price ~or the Shares as to which an Option is exercised shall be paid to the Company in full at the time of exercise at the election of the Participant (i) in cash, (ii) in Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided, that such Shares have been held by the Participant for no less than six months, (iii) partly in cash and partly in such Shares or (iv) through the delivery of irrevocable instruments to a broker to deliver promptly to the Company an amount equal to the aggregate option price for the shares being purchased. No Participant shall have any rights to dividends or other rights of a stockholder with respect to Shares subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Shares and, if applicable, has satisfied any other conditions imposed by the Committee pursuant to the Plan.

(d) ISOs. The Committee may grant Options under the Plan that are intended to be ISOs. Such ISOs shall comply with the requirements of Section 422 of the Code (or any successor section thereto) . No ISO may be granted to any Participant who at the time of such grant, owns more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless (i) the Option Price for such ISO is at least 110% of the Fair Market Value of a Share on the date the ISO is granted and (ii) the date on which such ISO terminates is a date not later than the day preceding the fifth anniversary of the date on which the ISO is granted. Any Participant who disposes of Shares acquired upon the exercise of an ISO either (i) within two years after the date of grant of such ISO or (ii) within one year after the transfer of such Shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.

7. Terms and Conditions of Stock Appreciation Rights

(a) Grants. The Committee also may grant (i) a Stock Appreciation Right independent of an Option or (ii) a Stock Appreciation Right in connection with an Option, or a portion thereof. A Stock Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same Shares covered by an Option (or such lesser number of Shares as the Committee may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 8 (or such additional limitations as may be included in an Award agreement).

(b) Terms. The exercise price per Share of a Stock Appreciation Right shall be an amount determined by the Committee but in no event shall such amount be less than the greater of (i) the Fair Market Value of a Share on the date the Stock Appreciation Right is granted or, in the case of a Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, the Option Price of the related Option and (ii) an amount permitted by applicable laws, rules, by-laws or policies of regulatory authorities or stock exchanges. Each Stock Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Share over (B) the exercise price per Share, times (ii) the number of Shares covered by the Stock Appreciation Right. Each Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Company the unexercised Option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Share over (B) the Option Price per Share, times (ii) the number of Shares covered by the Option, or portion thereof, which is surrendered. The date a notice of exercise is received by the Company shall be the exercise date. Payment shall be made in Shares or in cash, or partly in Shares and partly in cash (any such Shares valued at such Fair Market Value), all as shall be determined by the Committee. Stock Appreciation Rights may be exercised from time to time upon actual receipt by the Company of written notice of exercise stating the number of Shares with respect to which the Stock Appreciation Right is being exercised. No fractional Shares will be issued in payment for Stock Appreciation Rights, but instead cash will be paid for a fraction or, if the Committee should so determine, the number of Shares will be rounded downward to the next whole Share.

(c) Limitations. The Committee may impose, in its discretion, such conditions upon the exercisability or transferability of Stock Appreciation Rights as it may deem fit.

(d) Limited Stock Appreciation Rights. The Committee may grant LSARs that are exercisable upon the occurrence of specified contingent events. Such LSARs may provide for a different method of determining appreciation, may specify that payment will be made only in cash and may provide that any related Awards are not exercisable while such LSARS are exercisable. Unless the context otherwise requires, whenever the term "Stock Appreciation Right" is used in the Plan, such term shall include LSARs.

8. Other Stock-Based Awards

(a) Generally. The Committee, in its sole discretion, may grant Awards of Shares, Awards of restricted Shares and Awards that are valued in whole or in part by reference to, or are otherwise based on the Fair Market Value of, Shares ("Other Stock-Based Awards"). Such Other Stock-Based Awards shall be in such form, and dependent on such conditions, as the Committee shall determine, including, without limitation, the right to receive one or more Shares (or the equivalent cash value of such Shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Stock-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall determine to whom and when Other Stock-Based Awards will be made, the number of Shares to be awarded under (or otherwise related to) such Other Stock-Based Awards; whether such Other Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Shares so awarded and issued shall be fully paid and non-assessable).

(b) Performance-Based Awards. Notwithstanding anything to the contrary herein, certain Other Stock-Based Awards granted under this Section 8 may be granted in a manner which is deductible by the Company under Section 162(m) of the Code (or any successor section thereto) ("Performance-Based Awards"). A Participant's Performance-Based Award shall be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The performance goals, which must be objective, shall be based upon one or more of the following criteria: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on shareholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) profitability of an identifiable business unit or product; (xi) maintenance or improvement of profit margins; (xii) stock price; (xiii) market share; (xiv) revenues or sales; (xv) costs; (xvi) cash flow; (xvii) working capital and (xviii) return on assets. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the performance goals may be calculated without regard to extraordinary items. The maximum amount of a Performance-Based Award during a calendar year to any Participant shall be $2,000,000. The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given Participant and, if they have, to so certify and ascertain the amount of the applicable Performance-Based Award. No Performance-Based Awards will be paid for such performance period until such certification is made by the Committee. The amount of the Performance-Based Award actually paid to a given Participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance-Based Award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a Participant may, if and to the extent permitted by the Committee and consistent with the provisions of Section 162(m) of the Code, elect to defer payment of a Performance-Based Award.

9. Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) Generally. In the event of any change in the outstanding Shares after the Effective Date by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares or other corporate exchange, any distribution to shareholders of Shares other than regular cash dividends or any similar event, the Committee in its sole discretion and without liability to any person may make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of Shares or other securities issued or reserved for issuance pursuant to the Plan or pursuant to outstanding Awards, (ii) the Option Price and/or (iii) any other affected terms of such Awards.

(b) Change in Control. Except as otherwise provided in an Award agreement, in the event of a Change in Control, the Committee in its sole discretion and without~ liability to any person may take such actions, if any, as it deems necessary or desirable with respect to any Award (including, without limitation, (i) the acceleration of an Award, (ii) the payment of a cash amount in exchange for the cancellation of an Award and/or (iii) the requiring of the issuance of substitute Awards that will substantially preserve the value, rights and benefits of any affected Awards previously granted hereunder) as of the date of the consummation of the Change in Control.

10. No Right to Employment

The granting of an Award under the Plan shall impose no obligation on the Company or any Subsidiary to continue the employment of a Participant and shall not lessen or affect the Company's or Subsidiary's right to terminate the employment of such Participant.

11. Successors and Assigns

The Plan shall be binding on all successors and assigns of the Company and a Participant; including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

12. Nontransferability of Awards

Unless otherwise determined by the Committee, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, a Participant may transfer an option (other than an ISO) in whole or in party by gift or domestic relations order to a family member of the Participant (a "Permitted Transferee") and, following any such transfer such option or portion thereof shall be exercisable only by the Permitted Transferee, provided that no such option or portion thereof is transferred for value, and provided further that, following any such transfer, neither such option or any portion thereof nor any right hereunder shall be transferable other than to the Participant or otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. For purposes of this Section 12, "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.

13. Amendments or Termination

The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which, (a) without the approval of the shareholders of the Company, would (except as is provided in Section 10 of the Plan), increase the total number of Shares reserved for the purposes of the Plan or change the maximum number of Shares for which Awards may be granted to any Participant or (b) without the consent of a Participant, would impair any of the rights or obligations under any Award theretofore granted to such Participant under the Plan; provided, however, that the Committee may amend the Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws. Notwithstanding anything to the contrary herein, the Board may not amend, alter or discontinue the provisions relating to Section 9(b) of the Plan after the occurrence of a Change in Control.

14. International Participants

With respect to Participants who reside or work outside the United States of America and who are not (and who are not expected to be) `covered employees' within the meaning of Section 162(m) of the Code, the Committee may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law.

15. Choice of Law

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

16. Effectiveness of the Plan

The Plan shall be effective as of the Effective Date. If the Plan is not approved by the shareholders of the Company prior to the first anniversary of the Effective Date, no Awards may be granted thereafter.

HOVNANIAN ENTERPRISES, INC.
1983 Stock Option Plan
(As amended and restated March 8th, 2002)

The purpose of the 1983 Stock Option Plan (the "Plan") is to make stock options for Common Stock of Hovnanian Enterprises, Inc. (the "Company") available to certain officers and key employees of the Company and its subsidiaries to give them a greater personal interest in the success of the enterprise and an added incentive to continue and advance in their employment.

1. AMOUNT AND SOURCE OF STOCK: Except as otherwise permitted pursuant to paragraph 8 hereof, the total number of shares of the Company's Common Stock which may be issued under the Plan shall not exceed 1,000,000. These shares may be authorized and unissued shares or issued and reacquired shares, as the Board of Directors of the Company (the "Board of Directors") may from time to time determine. The number of shares of the Company's Common Stock available for grant of options under the Plan shall be decreased by the sum of the number of shares with respect to which options have been issued and are then outstanding and the number of shares issued upon exercise of options, and shall be increased due to the expiration or termination of options which have not been exercised.

2. EFFECTIVE DATE AND TERM OF PLAN: This Plan (as amended and restated) shall, subject to shareholder approval, be effective May 4, 1990. Options may be granted under the Plan on or before March 8, 2005.

3. ADMINISTRATION: The Plan shall be administered by a committee of the Board of Directors (the "Committee") consisting of not less than three directors of the Company to be appointed by, and to serve at the pleasure of, the Board of Directors. The Committee shall have full power to interpret the Plan and to establish and amend rules and regulations for its administration. The Board of Directors may from time to time appoint members of the Board of Directors in substitution for or in addition to members previously appointed and may fill vacancies in the Committee. The Board of Directors or the Committee may establish a subcommittee (the "Subcommittee") to award options to such key employees (other than executive officers) as the Subcommittee shall determine subject to such limitations as may be set by the Board of Directors. The Subcommittee shall consist of one or more directors of the Company who shall be appointed by the Board of Directors or by the Committee and who may but need not be members of the Committee.

4. SELECTION: From time to time the Committee shall determine, from among the key employees of the Company or its subsidiaries, which of such employees shall be granted options under the Plan (the "Optionees"), the number of shares subject to each option, and whether each option shall comply with the provisions of Section 422A of the Internal Revenue Code of 1986, as amended (the "Code") and be designated an Incentive Stock Option.

5. TERMS OF OPTIONS: (a) Option Period and Exercise of Options: The Committee shall determine in its discretion the dates after which each option granted under the Plan (an "Option") may be exercised in whole or in part and the date after which such Option may no longer be exercised (the "Termination Date"), which date shall not be later than the day preceding the tenth anniversary of the date when granted. The Committee may, in its discretion, accelerate the date after which an Option may be exercised in whole or in part. If the chief executive officer of the Company is a member of the Board of Directors, the Board of Directors by specific resolution may constitute such chief executive officer as a committee of one which shall have the authority to accelerate the date after which an Option may be exercised in whole or in part. In exercising an Option, the Optionee may exercise less than the full installment available to the Optionee, but the Optionee must exercise the Option in full shares of Common Stock of the Company. An Option which has not been exercised on or prior to its Termination Date shall be cancelled.

(b) Option Price: The purchase price per share of Common Stock purchased under Options granted pursuant to the Plan (the "Option Price") shall be determined by the Committee and shall not be less than the Fair Market Value of the Common Stock of the Company on the date the Option is granted. The "Fair Market Value" of the Common Stock of the Company on the date of the Company's initial public offering of Common Stock shall be the public offering price. On any subsequent date, the "Fair Market Value" shall be deemed, for all purposes under this Plan, to be the mean between the high and low sale prices of the Common Stock of the Company reported as having occurred on any Stock Exchange on which the Company's Common Stock may be listed and traded on the date the Option is granted, or if there is no such sale on that date, then on the last preceding date on which such a sale was reported. The Option Price shall be paid in full upon the exercise of the Option by certified or bank cashier's check payable to the order of the Company, by the surrender or delivery to the Company of shares of its Common Stock or by any other means acceptable to the Committee, and the stock purchased shall thereupon be promptly delivered, provided, however, that the Committee may, in its discretion, require that an Optionee pay to the Company at the time of exercise, or at such later date as the Company shall specify, such amount as the Committee deems necessary to satisfy the Company's obligation to withhold Federal, state or local income or other taxes incurred by reason of the exercise or the transfer of shares thereupon. No Optionee or his legal representatives, legatees or distributees, as the case may be, will be deemed to be a holder of any shares pursuant to exercise of an Option until the date of the issuance of a stock certificate to him for such shares. Any cash proceeds of the sale of stock subject to Options are to be added to the general funds of the Company and used for its general corporate purposes. In no event shall the Option Price be less than the par value of a share of Common Stock of the Company.

(c) Special Rules Regarding Incentive Stock Options Granted to Certain Employees: Notwithstanding the provisions of subsections (a) and (b) of this section, no Incentive Stock Option shall be granted to any employee who, at the time the Option is granted, owns (directly, or within the meaning of Section 425(d) of the Code) more than ten percent of the total combined voting power of all classes of stock of the Company or any subsidiary corporation, unless (a) the Option Price under the Option is at least 110 percent of the Fair Market Value of the stock subject to the Option at the time of the grant and (b) the Option by its terms is not exercisable after the expiration of five years from the date it is granted.

(d) Escrow Account and Special Rules Regarding Incentive Stock Options Granted Prior to May 4, 1990: Notwithstanding the foregoing paragraphs, the Optionee may, in the sole discretion of the Committee, purchase the full number of shares of Common Stock with respect to which the Option has been granted, subject to the condition that any shares of Common Stock transferred to the Optionee under installments of the Option which would not have been currently exercisable (in accordance with the terms of the preceding paragraph) shall be placed in an escrow account ("Escrow Account"). Shares held in the Escrow Account shall be registered in the name of the Optionee, and all dividend, voting, liquidation and other rights of ownership with respect to shares held in the Escrow Account shall belong to the Optionee, except that the Optionee may not sell, pledge, or otherwise transfer such shares. As shares held in the Escrow Account would have become exercisable (in accordance with the terms of the preceding paragraph) they shall be withdrawn from the Escrow Account. The Optionee shall have free and clear title to all shares withdrawn from the Escrow Account, including the right to sell, pledge or otherwise transfer the shares. Upon termination of the Optionee's employment with the Company or a subsidiary thereof, all shares held in the Escrow Account on the date of termination of employment shall be subject to a right of repurchase in favor of the Company. The period of the right of repurchase shall run for 30 days commencing with the date the Optionee's employment with the Company or a subsidiary thereof terminates. During the period of the right of repurchase the Company shall have the right to repurchase from the Optionee at the Option Price all shares held in the Escrow Account.

Notwithstanding the foregoing paragraphs, Incentive Stock Options granted prior to May 4, 1990 shall, by their terms, not be exercisable while there is outstanding any Incentive Stock Option which was granted, before the granting of such option, to such Optionee to purchase stock in the Company or in a corporation which at the time of the granting of such option is a subsidiary corporation of the Company or in a predecessor corporation of the Company or any such subsidiary. For the purpose of this paragraph an Incentive stock Option is outstanding until it is exercised in full or expires by reason of lapse of time. For the purposes of this paragraph the term "predecessor corporation" means a corporation which was a party to a transaction described in Section 425(a) of the Code (irrespective of whether a substitution or assumption under such section was in fact effected) with the Company or a corporation which at the time the new Incentive Stock Option is granted is a related corporation of the Company or a predecessor corporation of any such corporations.

(e) Nontransferability of Options: Each option shall, during the Optionee's lifetime, be exercisable only by the Optionee, and neither it nor any right hereunder shall be transferable otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. Notwithstanding the foregoing, an Optionee may transfer an option in whole or in part by gift or domestic relations order to a family member of the Optionee (a "Permitted Transferee") and, following any such transfer such option or portion thereof shall be exercisable only by the Permitted Transferee, provided that no such option or portion thereof is transferred for value, and provided further that, following any such transfer, neither such option or any portion thereof nor any right hereunder shall be transferable other than to the Optionee or otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. For purposes of this paragraph, "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Optionee's household (other than a tenant or employee), trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Optionee) control the management of assets and any other entity in which these persons (or the Optionee) own more than fifty percent of the voting interests. In the event of any attempt by the Optionee to alienate, assign, pledge, hypothecate or otherwise dispose of his Option or of any right hereunder, except as provided for herein, or in the event of any levy or any attachment, execution or similar process upon the rights or interest hereby conferred, the Company may terminate his Option by notice to the Optionee and it shall thereupon become null and void.

(f) Cessation of Employment of Optionee: If, prior to the Termination Date, the Optionee ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death or disability within the meaning of Code Section 22(e)(3)), each Option (other than an Incentive Stock Option granted prior to March , 2002) to the extent not previously exercised shall remain exercisable prior to the Termination Date for a period of sixty days from the date of cessation of employment, and thereafter all Options to the extent not previously exercised shall terminate together with all other rights hereunder.

(g) Death or Disability of Optionee: In the event of the death of the Optionee, prior to the Termination Date, while employed by the Company or a subsidiary thereof, each Option shall immediately become exercisable and shall remain exercisable prior to the Termination Date for a period of one year after the date of the Optionee's death by the person or persons to whom the Optionee's rights under each Option shall pass by will or by the applicable laws of descent and distribution, and thereafter all Options to the extent not previously exercised shall terminate together with all other rights hereunder. If, prior to the Termination Date, the Optionee ceases to be employed by the Company or a subsidiary thereof by reason of disability within the meaning of Code section 22(e)(3), each Option shall immediately become exercisable and shall remain exercisable prior to the Termination Date for a period of one year from the date of cessation of employment, and thereafter all Options to the extent not previously exercised shall terminate together with all other rights hereunder.

6. LIMITATION ON GRANTS OF INCENTIVE STOCK OPTIONS: With respect to Incentive Stock Options granted prior to May 4, 1990, the aggregate fair market value (determined as of the date the Option is granted) of the Common Stock for which any employee may be granted Incentive Stock Options in any calendar year under this and any other stock option plan maintained by the Company and/or its subsidiaries shall not exceed (a) $100,000 plus (b) the "carryover amount" for that calendar year. The "carryover amount" with respect to a calendar year shall equal (a) one-half of the sum of the excess, for each of the preceding three calendar years (excluding years prior to 1981) of $100,000 over the fair market value (determined as of the time the option is granted) of the Common Stock for which the employee was granted incentive stock options under this and any other stock option plan maintained by the Company and/or its subsidiaries, minus (b) the amount of any such excess used as a carryover amount in the grant of incentive stock options in any preceding calendar year. For purposes of this paragraph, the amount of options granted in any calendar year shall be treated as first using up the $100,000 limitation for that year and any additional grants shall be treated as using up unused carryover amounts in the order of the calendar years in which the carryover amounts arose.

With respect to Incentive Stock Options granted subsequent to December 31, 1986, the aggregate fair market value (determined as of the date the Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time in any calendar year under this and any other stock option plan maintained by the Company and/or its subsidiaries shall not exceed $100,000.

7. INSTRUMENT OF GRANT: The terms and conditions of each Option granted under the Plan shall be set forth in an instrument designated "Incentive Stock Option Agreement" substantially in the form of Exhibit 1 attached hereto and made a part hereof if the Committee determines that such Option shall be an Incentive Stock Option under the provisions of section 422A of the Code. Otherwise, the terms and conditions of each Option granted under the Plan shall be set forth in an instrument designated "Stock A-4 Option Agreement" substantially in the form of Exhibit 2 attached hereto and made a part hereof. The Committee may make such modifications in the provisions of the instrument of grant as it shall deem advisable or as may be required by any provision of the Code.

8. ADJUSTMENTS UPON CHANGES IN STOCK: If (a) the Company shall at any time be involved in a transaction to which subsection (a) of section 425 of the Code is applicable; (b) the Company shall declare a dividend payable in, or shall subdivide or combine, its Common Stock; or (c) any other event shall occur which in the judgment of the Board of Directors necessitates action by way of adjusting the terms of the outstanding Options, the Board of Directors shall forthwith take any such action as in its judgment shall be necessary to preserve for the Optionees rights substantially proportionate to the rights existing prior to such event and to the extent that such action shall include an increase or decrease in the number of shares of Common Stock subject to outstanding Options, the number of shares available under paragraph 1 above shall be increased or decreased, as the case may be, proportionately. The judgment of the Board of Directors with respect to any matter referred to in this paragraph shall be conclusive and binding upon each Optionee.

9. AMENDMENTS AND TERMINATION: The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which, (a) without the approval of the shareholders of the Company, would increase the total number of shares reserved for the purposes of the Plan or change the maximum number of shares for which Options may be granted to any Optionee or (b) without the consent of an Optionee, would impair any of the rights or obligations under any Option theretofore granted to such Optionee under the Plan; provided, however, that the Compensation Committee may amend the Plan in such manner as it deems necessary to permit the granting of Options meeting the requirements of the Code or other applicable laws."

10. PLAN DOES NOT CONFER EMPLOYMENT OR STOCKHOLDER RIGHTS: The right of the Company or any subsidiary thereof to terminate (whether by dismissal, discharge, retirement or otherwise) the Optionee's employment with it at any time at will, or as otherwise provided by any agreement between the Company and the Optionee, is specifically

reserved. Neither the Optionee nor any person entitled to exercise the Optionee's rights in the event of the Optionee's death shall have any rights of a stockholder with respect to the shares subject to each Option, except to the extent that a certificate for such shares shall have been issued upon the exercise of each Option as provided for herein.

11. DEFINITION: As used in the Plan the term "subsidiary" shall have the meaning assigned to such term in Section 425 of the Code and in addition shall include both foreign and domestic subsidiaries and any corporation which becomes a subsidiary after the date of adoption of the Plan.

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 Corp., 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 at Northern Westchester, Inc.
K. Hovnanian at Hanover, Inc.
K. Hovnanian at Montville II, Inc.
K. Hovnanian at Newark Urban Renewal Corp.I, Inc.
K. Hovnanian at Newark I, Inc.
K. Hovnanian at Newark Urban Renewal Corp.II, Inc.
Jersey City Danforth CSO, Inc.
K. Hovnanian at Newark Urban Renewal Corp.III, Inc.
K. Hovnanian at Newark Urban Renewal Corp. IV, Inc.
K. Hovnanian at 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, New Jersey, 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 at Cedar Grove I, Inc.
K. Hovnanian at 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, Inc.
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 Stone 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 Bernards V, LLC
K. Hovnanian's Four Seasons of the Palm Beaches, Inc.
K. Hovnanian at Menifee, LLC
K. Hovnaian at Rowland 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 Lafayette 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
K. Hovnanian at North Haledon, LLC
K. Hovnanian at Curries Woods, LLC
K. Hovnanian at Lake Ridge Crossing, LLC
K. Hovnanian at Lower Moreland I, LLC
K. Hovnanian at Lower Moreland II, LLC
K. Hovnanian at Northampton, LLC
K. Hovnanian at Marlboro VII, LLC
K. Hovnanian at Marlboro VI, LLC
K. Hovnanian at Little Egg Harbor, LLC
K. Hovnanian at Barnegat I, LLC
K. Hovnanian at Cranbury, LLC
K. Hovnanian at Hamburg Contractors, LLC
K. Hovnanian at Little Egg Harbor Contractors, LLC
K. Hovnanian at Mt. Olive, LLC
K. Hovnanian at Sayreville, LLC
K. Hovnanian at Sayreville, LLC
K. Hovnanian at Cedar Grove III, LLC
K. Hovnanian at Woolwich I, LLC
K. Hovnanian at Wayne IX, LLC
K. Hovnanian at Woodhill Estates, LLC
K. Hovnanian Forecast, LLC
Westminster Homes of South Carolina, LLC
K. Hovnanian Developments of South Carolina, Inc.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3 No. 333-68528, Form S-3 No. 333-75939, Form S-3 No. 333-90567, Form S-3 No. 333-87861, Form S-3 No. 333-51991 and Form S-3 No. 333-84396) of Hovnanian Enterprises, Inc. and in the related Prospectuses and in the Registration Statements (Form S-8 No. 333-92977, Form S-8 No. 333-56972, Form S-8 No. 033-36098, Form S-8 No. 002-92773, and Form S-8 No. 333-56640) of our report dated December 6, 2002, except for Note 20, as to which the date is December 31, 2002, with respect to the consolidated financial statements of Hovnanian Enterprises, Inc. included in this Annual Report (Form 10-K) for the year ended October 31, 2002.

/s/ Ernst & Young LLP

New York, New York
January 20, 2003

Exhibit 99(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-K for the period ended October 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ara K. Hovnanian, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ARA K. HOVNANIAN
Ara K. Hovnanian
Chief Executive Officer

Date: January 17, 2003

Exhibit 99(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-K for the period ended October 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Larry Sorsby, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/J. LARRY SORSBY

J. Larry Sorsby
Chief Financial Officer

Date: January 17, 2003