UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2010

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-12822

BEAZER HOMES USA, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**58-2086934**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328
(Address of principal executive offices) (Zip code)

(770) 829-3700
(Registrant's telephone number including area code)

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

Title of Securities	Exchanges on Which Registered
Common Stock, $.001 par value per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act) Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☑

Indicate by check mark whether the registrant (1) 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. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☑

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant (62,188,862 shares) as of March 31, 2010, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was $282,337,433.

The number of shares outstanding of the registrant's Common Stock as of November 3, 2010 was 75,669,381.

DOCUMENTS INCORPORATED BY REFERENCE

	Part of 10-K Where Incorporated
Portions of the registrant's Proxy Statement for the 2010 Annual Meeting of Stockholders	III

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References to “we,” “us,” “our,” “Beazer,” “Beazer Homes,” and the “Company” in this annual report on Form 10-K refer to Beazer Homes USA, Inc.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. These forward-looking statements represent our expectations or beliefs concerning future events, and it is possible that the results described in this annual report will not be achieved. These forward-looking statements can generally be identified by the use of statements that include words such as “estimate,” “project,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “likely,” “will,” “goal,” “target” or other similar words or phrases. All forward-looking statements are based upon information available to us on the date of this annual report.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the matters discussed in this annual report in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Additional information about factors that could lead to material changes in performance is contained in Part I, Item 1A− Risk Factors. Such factors may include:

- the final outcome of various putative class action lawsuits, multi-party suits and similar proceedings as well as the results of any other litigation or government proceedings and fulfillment of the obligations in the Deferred Prosecution Agreement and consent orders with governmental authorities and other settlement agreements;
- additional asset impairment charges or writedowns;
- economic changes nationally or in local markets, including changes in consumer confidence, declines in employment levels, volatility of mortgage interest rates and inflation;
- continued or increased downturn in the homebuilding industry;
- estimates related to homes to be delivered in the future (backlog) are imprecise as they are subject to various cancellation risks which cannot be fully controlled;
- continued or increased disruption in the availability of mortgage financing or number of foreclosures in the market;
- our cost of and ability to access capital and otherwise meet our ongoing liquidity needs including the impact of any downgrades of our credit ratings or reductions in our tangible net worth or liquidity levels;
- potential inability to comply with covenants in our debt agreements or satisfy such obligations through repayment or refinancing;
- increased competition or delays in reacting to changing consumer preference in home design;
- shortages of or increased prices for labor, land or raw materials used in housing production;
- factors affecting margins such as decreased land values underlying land option agreements, increased land development costs on communities under development or delays or difficulties in implementing initiatives to reduce production and overhead cost structure;
- the performance of our joint ventures and our joint venture partners;
- the impact of construction defect and home warranty claims including those related to possible installation of drywall imported from China;
- the cost and availability of insurance and surety bonds;
- delays in land development or home construction resulting from adverse weather conditions;

- potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations, or governmental policies and possible penalties for failure to comply with such laws, regulations and governmental policies;
- effects of changes in accounting policies, standards, guidelines or principles; or
- terrorist acts, acts of war and other factors over which the Company has little or no control.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors.

PART I

Item 1. *Business*

We are a geographically diversified homebuilder with active operations in 15 states. Our homes are designed to appeal to homeowners at various price points across various demographic segments and are generally offered for sale in advance of their construction. Our objective is to provide our customers with homes that incorporate exceptional value and quality while seeking to maximize our return on invested capital over time.

Our principal executive offices are located at 1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328, telephone (770) 829-3700. We also provide information about our active communities through our Internet website located at http://www.beazer.com. Information on our website is not a part of and shall not be deemed incorporated by reference in this report.

Industry Overview and Current Market Conditions

The sale of new homes has been and will likely remain a large industry in the United States for four primary reasons: historical growth in both population and households, demographic patterns that indicate an increased likelihood of home ownership as age and income increase, job creation within geographic markets that necessitate new home construction and consumer demand for home features that can be more easily provided in a new home than an existing home.

In any year, the demand for new homes is closely tied to job growth, the availability and cost of mortgage financing, the supply of new and existing homes for sale and, importantly, consumer confidence. Consumer confidence is perhaps the most important of these demand variables and is the hardest one to predict accurately because it is a function of, among other things, consumers' views of their employment and income prospects, recent and likely future home price trends, localized new and existing home inventory, the level of current and near-term interest and mortgage rates, the availability of consumer credit, valuations in stock and bond markets, and other geopolitical factors. Moreover, because the purchase of a home represents many buyers' largest single financial commitment, it is often also associated with significant emotional considerations.

The supply of new homes within specific geographic markets consists of both new homes built pursuant to pre-sale arrangements and speculative homes (frequently referred to as "spec homes") built by home builders prior to their sale. The ratio of pre-sold to spec homes differs both by geographic market and over time within individual markets based on a wide variety of factors, including the availability of land and lots, access to construction financing, the availability and cost of construction labor and materials, the inventory of existing homes for sale and job growth characteristics. Consumer preferences also play a role. In rapidly growing markets characterized by relatively few available new homes, presale homes are very common. In markets characterized by a significant supply of newly built and existing homes, spec homes tend to represent a larger portion of new home sales as builders attempt to reduce their inventories of completed homes.

In general, high levels of employment, low mortgage interest rates and low new home and resale inventories contribute to a strong and growing homebuilding market environment. Conversely, rising or continued high levels of unemployment, higher interest rates and larger new and existing home inventories generally lead to weak industry conditions.

While we believe that long-term fundamentals for new home construction remain intact, the homebuilding environment has suffered extensively during the recession of the past several years. Beginning in mid-fiscal 2006 and continuing into fiscal 2010, the homebuilding environment deteriorated against a backdrop of macroeconomic recession, declining consumer confidence and significant tightening in the availability of home mortgage credit. Throughout this period, most housing markets across the United States suffered from an oversupply of new and resale home inventory, reduced levels of consumer demand for new homes, high cancellation rates, aggressive home sale price and buyer incentive competition among homebuilders, and a growing supply of foreclosed homes typically offered at substantially reduced prices. In addition, due initially to market disruptions resulting from the deterioration in the credit quality of loans originated to non-prime and subprime borrowers and also due to steadily increasing unemployment, the credit markets and the mortgage industry experienced a period of disruption characterized by bankruptcy, financial institution failure, consolidation and an unprecedented level of intervention by the United States federal government. This mortgage crisis led to reduced availability for mortgage products and reduced investor demand for mortgage loans and mortgage-backed securities. These developments severely impacted consumer confidence and demand for our homes. Although we have recently begun to see signs that certain of these negative market trends may be moderating at both local and national levels, key macroeconomic indicators remain soft or mixed. The supply of new and resale homes in the marketplace has decreased recently, but it is still excessive for the current level of consumer demand and is challenged by an increased number of foreclosed homes offered at substantially reduced prices. These pressures in the marketplace have resulted in the use of increased sales incentives and price reductions in an effort to generate sales and reduce inventory levels by us and many of our competitors.

In an effort to provide relief to homebuyers and stabilize the housing industry, the federal government enacted several laws: (1) The Housing and Economic Recovery Act of 2008 (HERA) in July 2008, (2) The Emergency Economic Stabilization Act of 2008 (EESA) in October 2008 and (3) The First Time Homebuyer Tax Credit (FTHBTC) in February 2009.

Among other things, HERA provided for a temporary first-time home buyer tax credit for purchases made through July 1, 2009; reforms of Fannie Mae and Freddie Mac, including adjustments to the conforming loan limits; modernization and expansion of the FHA, including an increase to 3.5% in the minimum down payment required for FHA loans; and the elimination of seller-funded down payment assistance programs for FHA loans approved after September 30, 2008. Certain provisions of HERA, such as the elimination of the down payment assistance programs and the increase in minimum down payments, have adversely impacted the ability of potential homebuyers to afford to purchase a new home or obtain financing. The down payment assistance programs were utilized for a number of our home closings prior to fiscal 2009.

EESA authorized up to $700 billion in new spending authority for the United States Secretary of the Treasury (the Secretary) to purchase, manage and ultimately dispose of troubled assets. The provisions of this law include an expansion of the Hope for Homeowners Program. This program allows the Secretary to use loan guarantees and credit enhancements so that mortgage loans can be modified to prevent foreclosures. Also, the Secretary can consent to term extensions, rate-reductions and principal write-downs. Federal agencies that own mortgage loans are directed to seek modifications prior to foreclosures.

FTHBTC enables homebuyers who have not owned a home in the past three years, subject to certain income limits, to receive a tax credit of 10% of the purchase price of a home up to a maximum of $8,000. In November 2009, this tax credit was extended by Congress to June 2010 and the new law increased the annual income limits for qualification. In addition, the new law also added a $6,500 tax credit for qualified existing homeowners who elect to purchase a new home. Certain states also enacted laws which enabled certain homebuyers to receive additional state tax credits. Availability of these tax credits appears to have incentivized certain homebuyers to purchase homes during the second half of fiscal 2009 and through June 30, 2010 although it is not possible to quantify the precise impact.

In spite of these government actions, we, like many other homebuilders, have experienced a material reduction in revenues and margins and have incurred significant net losses in fiscal 2008 through 2010. These net losses were driven primarily by asset impairment and lot option abandonment charges incurred in fiscal 2008, 2009 and 2010. Please see *"Management's Discussion and Analysis of Results of Operations and Financial Condition"* for additional information.

We have responded to this challenging environment with a disciplined approach to the business with continued reductions in direct construction costs, overhead expenses and land spending. We have entered into an exclusive preferred lender relationship with a national mortgage provider. This exclusive relationship offers our homebuyers the option of a simplified financing process while enabling us to focus on our core competency of homebuilding. We limited our supply of unsold homes under construction and focused on the generation of cash from our existing inventory supply and preservation of cash on hand as we attempted to align our land supply and inventory levels to current expectations for home closings.

During fiscal 2010, we continued to focus on cash generation from the sale of existing inventory supply as we introduced additional sales incentives and reduced sales prices in certain situations in order to move this inventory. We also reevaluated pricing and incentives offered in select communities in response to local market conditions to generate sales on to-be-built inventory. Certain of these changes resulted in adjustments to our inventory valuations.

We continually review each of our markets in order to refine our overall investment strategy and to optimize capital and resource allocations in an effort to enhance our financial position and to increase shareholder value. This review entails an evaluation of both external market factors and our position in each market and over time has resulted in the decision to expand our market presence in certain of our markets and to discontinue homebuilding operations in other markets. As of September 30, 2010, we have substantially concluded our homebuilding operations in Jacksonville, Florida and Albuquerque, New Mexico, but we remain committed to our remaining customer care responsibilities (primarily warranty-related) and will continue to market a limited number of our remaining land positions for sale. While the underlying basis for exiting each market was different, in each instance we concluded we could better serve shareholder interests by re-allocating the capital employed in these markets. The results of operations of all of the homebuilding markets we have exited over the past few years are reported as discontinued operations in our Consolidated Statements of Operations.

Long-Term Business Strategy

We have developed a long-term business strategy which focuses on the following elements in order to provide a wide range of homebuyers with quality homes while maximizing returns on our invested capital over the course of a housing cycle:

Geographic Diversification in Growth Markets. We compete in a large number of geographically diverse markets in an attempt to reduce our exposure to any particular regional economy. Within these markets, we build homes in a variety of new home communities. We continually review our selection of markets based on both aggregate demographic information and our own operating results. We use the results of these reviews to re-allocate our investments to those markets where we believe we can maximize our profitability and return on capital over the next several years.

Differentiated Product. Our product strategy is to design and build high performance homes that are more enjoyable, more desirable and more affordable. Our eSMART homes are engineered for energy-efficiency, cost savings and comfort. Our eSMART initiative represents a comprehensive program focused on environmental stewardship which seeks to make energy saving, water conservation and improved air quality components standard in all of our homes. These energy efficient homes minimize the impact on the environment while reducing our homebuyers' annual operating costs. During fiscal 2010, we introduced two additional eSMART options to accelerate the performance of our homes and further increase operating savings to our homebuyers - eSMART Plus and eSMART Green (a certified and tested green home). Through our SMARTDESIGN™ concept, we have adapted our floor plans to make them more livable by arranging spaces to progress logically from public to private areas. We also offer upgrade packages that give our homebuyers the option to personalize their home with built-in closet systems, laundry centers, multi-purpose kitchen islands and more.

Diversity of Product Offerings. Our product strategy further entails addressing the needs of an increasingly diverse profile of home buyers. Within each of our markets we determine the profile of buyers we hope to address and design neighborhoods and homes with the specific needs of those buyers in mind. Depending on the market, we attempt to address one or more of the following types of home buyers: entry-level, move-up or retirement-oriented. Within these buyer groups, we have developed detailed targeted buyer profiles based on demographic and psychographic data including information about their marital and family status, employment, age, affluence, special interests, media consumption and distance moved. Recognizing that our customers want to choose certain components of their new home, we offer limited customization through the use of design studios in most of our markets. These design studios allow the customer to select certain non-structural options for their homes such as cabinetry, flooring, fixtures, appliances and wall coverings.

Consistent Use of National Brand. Our homebuilding and marketing activities are conducted under the name of Beazer Homes in each of our markets. We utilize a single brand name across our markets in order to better leverage our national and local marketing activities. Using a single brand has allowed us to execute successful national marketing campaigns and online marketing practices.

Operational Scale Efficiencies. Beyond marketing advantages, we attempt to create both national and local scale efficiencies as a result of the scope of our operations. On a national basis we are able to achieve volume purchasing advantages in certain product categories, share best practices in construction, marketing, planning and design among our markets, respond to telephonic and electronic customer inquiries and leverage our fixed costs in ways that improve profitability. On a local level, while we are not generally the largest builder within our markets, we do attempt to be a major participant within our selected submarkets and targeted buyer profiles. There are further design, construction and cost advantages associated with having strong market positions within particular markets.

Balanced Land Policies. We seek to maximize our return on capital by carefully managing our investment in land. To reduce the risks associated with investments in land, we often use options to control land. We generally do not speculate in land which does not have the benefit of entitlements providing basic development rights to the owner.

Reportable Business Segments

We design, sell and build single-family and multi-family homes in the following geographic regions which are presented as reportable segments. As of September 30, 2010, we have substantially exited our homebuilding operations in Jacksonville, Florida and Albuquerque, New Mexico. These markets are now reported as discontinued operations in our Consolidated Statements of Operations. As of September 30, 2010, we have sold or discontinued all of our title services operations which were historically included in our Financial Services reportable segment. The historical results of our title services operations are now reported as discontinued operations in our Consolidated Statements of Operations.

Segment/State	Market(s) / Year Entered
West:	
Arizona	Phoenix (1993)
California	Los Angeles County (1993), Orange County (1993), Riverside and San Bernardino Counties (1993), San Diego County (1992), Ventura County (1993), Sacramento (1993), Kern County (2005)
Nevada	Las Vegas (1993)
Texas	Dallas/Ft. Worth (1995), Houston (1995)
East:	
Indiana	Indianapolis (2002)
Maryland/Delaware	Baltimore (1998), Metro-Washington, D.C. (1998), Delaware (2003)
New Jersey/Pennsylvania	Central and Southern New Jersey (1998), Bucks County, PA (1998)
Tennessee	Nashville (1987)
Virginia	Fairfax County (1998), Loudoun County (1998), Prince William County (1998)
Southeast:	
Florida	Tampa/St. Petersburg (1996), Orlando (1997), Sarasota (2005), Tallahassee (2006), Panama City (2008)
Georgia	Atlanta (1985), Savannah (2005)
North Carolina	Raleigh/Durham (1992)
South Carolina	Charleston (1987), Myrtle Beach (2002)

Seasonal and Quarterly Variability

Our homebuilding operating cycle generally reflects higher levels of new home order activity in the second and third fiscal quarters and increased closings in the third and fourth fiscal quarters. However, during periods of an economic downturn in the industry such as we have experienced in recent years, decreased revenues and closings as compared to prior periods including prior quarters, will typically reduce seasonal patterns. Specifically, the expiration of the $8,000 First-time Homebuyer Tax Credit on June 30, 2010 incentivized homebuyers to purchase homes during the first half of fiscal 2010. This resulted in a change to our typical seasonal variations, as we experienced increased closings in our third quarter as compared to our fourth quarter of fiscal 2010.

Markets and Product Description

We evaluate a number of factors in determining which geographic markets to enter as well as which consumer segments to target with our homebuilding activities. We attempt to anticipate changes in economic and real estate conditions by evaluating such statistical information as the historical and projected growth of the population; the number of new jobs created or projected to be created; the number of housing starts in previous periods; building lot availability and price; housing inventory; level of competition; and home sale absorption rates.

We generally seek to differentiate ourselves from our competition in a particular market with respect to customer service, product type, and design and construction quality. We maintain the flexibility to alter our product mix within a given market, depending on market conditions. In determining our product mix, we consider demographic trends, demand for a particular type of product, consumer preferences, margins, timing and the economic strength of the market. Although some of our homes are priced at the upper end of the market, and we offer a selection of amenities and home customization options, we generally do not build “custom homes.” We attempt to maximize efficiency by using standardized design plans whenever possible. In all of our home offerings, we attempt to maximize customer satisfaction by incorporating quality and energy-efficient materials, distinctive design features, convenient locations and competitive prices. Specifically, our eSMART homes represent a comprehensive program focused on environmental stewardship which seeks to make energy saving, water conservation and improved air quality components standard in all of our homes. These energy efficient homes minimize the impact on the environment while reducing our homebuyers' annual operating costs.

During fiscal year 2010, the average sales price of our homes closed related to continuing operations was approximately $221,700. The following table summarizes certain operating information of our reportable homebuilding segments and our discontinued homebuilding operations as of and for the years ended September 30, 2010, 2009 and 2008. Please see "*Management's Discussion and Analysis of Results of Operations and Financial Condition" for additional information.*

	2010		2009		2008	
	Number of Homes Closed	Average Closing Price	Number of Homes Closed	Average Closing Price	Number of Homes Closed	Average Closing Price
			($ In 000's)			
West	1,777	$203.0	1,883	$216.5	2,688	$241.9
East	1,729	258.5	1,432	260.8	2,136	287.6
Southeast	1,007	191.6	881	212.5	1,546	229.8
Continuing Operations	4,513	$221.7	4,196	$230.8	6,370	$254.3
Discontinued Operations	132	$212.3	192	$242.8	1,322	$221.9

	September 30, 2010		September 30, 2009		September 30, 2008	
	Units in Backlog	Dollar Value in Backlog	Units in Backlog	Dollar Value in Backlog	Units in Backlog	Dollar Value in Backlog
			($ In 000's)			
West	269	$ 55,167	431	$ 88,883	521	$ 120,275
East	366	102,186	532	143,887	455	125,195
Southeast	145	28,800	208	42,520	314	69,874
Continuing Operations	780	$ 186,153	1,171	$ 275,290	1,290	$ 315,344
Discontinued Operations	16	$ 2,921	22	$ 5,477	68	$ 16,403

Corporate Operations

We perform all or most of the following functions at our corporate office:

- evaluate and select geographic markets;
- allocate capital resources to particular markets for land acquisitions;
- maintain and develop relationships with lenders and capital markets to create access to financial resources;
- plan and design homes and community projects;
- operate and manage information systems and technology support operations; and
- monitor the operations of our subsidiaries and divisions.

We allocate capital resources necessary for new investments in a manner consistent with our overall business strategy. We will vary the capital allocation based on market conditions, results of operations and other factors. Capital commitments are determined through consultation among selected executive and operational personnel, who play an important role in ensuring that new investments are consistent with our strategy. Centralized financial controls are also maintained through the standardization of accounting and financial policies and procedures.

Field Operations

The development and construction of each new home community is managed by our operating divisions, each of which is generally led by a market leader who, in turn, reports directly to our Chief Executive Officer. At the development stage, a manager (who may be assigned to several communities and reports to the market leader of the division) supervises development of buildable lots. Together with our operating divisions, our field teams are equipped with the skills to complete the functions of identification of land acquisition opportunities, land entitlement, land development, home construction, marketing, sales and warranty service. The accounting, accounts payable, billing and purchasing functions of our field operations are concentrated in three regional accounting centers.

Land Acquisition and Development

Generally, the land we acquire is purchased only after necessary entitlements have been obtained so that we have the right to begin development or construction as market conditions dictate. During much of the downturn in the homebuilding industry, we made very few significant land acquisitions; however, we have continued to consider attractive opportunities as they arise. We expect to continue to consider land acquisition opportunities as the market improves and particularly in markets where our land bank has been depleted. In a very small number of situations, we will purchase property without all necessary entitlements where we perceive an opportunity to build on such property in a manner consistent with our strategy. The term “entitlements” refers to subdivision approvals, development agreements, tentative maps or recorded plats, depending on the jurisdiction within which the land is located. Entitlements generally give a developer the right to obtain building permits upon compliance with conditions that are usually within the developer’s control. Although entitlements are ordinarily obtained prior to the purchase of land, we are still required to obtain a variety of other governmental approvals and permits during the development process.

We select our land for development based upon a variety of factors, including:

- internal and external demographic and marketing studies;
- suitability for development during the time period of one to five years from the beginning of the development process to the last closing;
- financial review as to the feasibility of the proposed project, including profit margins and returns on capital employed;
- the ability to secure governmental approvals and entitlements;
- environmental and legal due diligence;
- competition in the area;
- proximity to local traffic corridors and amenities; and
- management’s judgment as to the real estate market and economic trends and our experience in a particular market.

We generally purchase land or obtain an option to purchase land, which, in either case, requires certain site improvements prior to construction. Where required, we then undertake or, in the case of land under option, the grantor of the option then undertakes, the development activities (through contractual arrangements with local developers), which include site planning and engineering, as well as constructing road, sewer, water, utilities, drainage and recreational facilities and other amenities. When available in certain markets, we also buy finished lots that are ready for construction.

We strive to develop a design and marketing concept for each of our communities, which include determination of size, style and price range of the homes, layout of streets, layout of individual lots and overall community design. The product line offered in a particular new home community depends upon many factors, including the housing generally available in the area, the needs of a particular market and our cost of lots in the new home community. We are, however, often able to use standardized home design plans.

Option Contracts. We acquire certain lots by means of option contracts. Option contracts generally require the payment of a cash deposit or issuance of a letter of credit for the right to acquire lots during a specified period of time at a fixed or variable price.

Under option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our liability under option contracts is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately $38.7 million at September 30, 2010. At September 30, 2010, future amounts under option contracts aggregated approximately $221.3 million, net of cash deposits.

The following table sets forth, by reportable segment, land controlled by us as of September 30, 2010:

	Lots Owned							
West	Homes Under Construction(1)	Finished Lots	Lots for Current Development	Lots for Future Development	Land Held for Sale	Total Lots Owned	Total Lots Under Contract	Total Lots Controlled
Arizona	129	971	118	650	1	1,869	176	2,045
California	136	181	478	3,792	91	4,678	33	4,711
Nevada	118	800	659	248	—	1,825	820	2,645
Texas	303	910	993	—	—	2,206	1,117	3,323
Total West	686	2,862	2,248	4,690	92	10,578	2,146	12,724
East								
Indiana	193	641	1,471	—	250	2,555	443	2,998
Maryland	247	466	863	806	—	2,382	60	2,442
New Jersey	41	73	457	152	—	723	376	1,099
Tennessee	65	297	1,030	—	—	1,392	275	1,667
Virginia	44	73	133	—	—	250	321	571
Total East	590	1,550	3,954	958	250	7,302	1,475	8,777
Southeast								
Georgia	8	127	105	88	—	328	84	412
Florida	164	536	1,076	308	30	2,114	1,036	3,150
North Carolina	47	194	151	21	—	413	62	475
South Carolina	104	812	685	80	—	1,681	1,017	2,698
Total Southeast	323	1,669	2,017	497	30	4,536	2,199	6,735
Discontinued Operations	34	—	—	—	726	760	—	760
Total	1,633	6,081	8,219	6,145	1,098	23,176	5,820	28,996

(1) The category “Homes Under Construction” represents lots upon which construction of a home has commenced.

The following table sets forth, by reportable segment, land held for development, land held for future development and land held for sale as of September 30, 2010 (*in thousands*):

	Land Held for Development	Land Held for Future Development	Land Held for Sale
West	$ 173,404	$ 311,472	$ 5,273
East	172,519	47,381	1,376
Southeast	98,139	24,036	—
Discontinued Operations	—	—	29,610
Total	$ 444,062	$ 382,889	$ 36,259

Joint Ventures. We participate in land development joint ventures in which Beazer Homes has less than a controlling interest. We enter into joint ventures in order to acquire attractive land positions, to manage our risk profile and to leverage our capital base. Our joint ventures are typically entered into with developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture's members and other third parties. Over the past few years for economic and strategic reasons, we have concluded our investment in a number of joint ventures.

Our joint ventures typically obtain secured acquisition, development and construction financing. At September 30, 2010, our unconsolidated joint ventures had borrowings outstanding totaling $394.3 million of which $327.9 million related to one joint venture in which we are a 2.58% partner. Under the terms of the agreement, our repayment guarantee related to the outstanding debt of this joint venture is approximately $15.1 million. In some instances, Beazer Homes and our joint venture partners have provided varying levels of guarantees of debt of our unconsolidated joint ventures. At September 30, 2010, these guarantees included, for certain joint ventures, construction completion guarantees, loan to value maintenance agreements, repayment guarantees and environmental indemnities (see Note 3 to the Consolidated Financial Statements for additional information).

Construction

We typically act as the general contractor for the construction of our new home communities. Our project development operations are controlled by our operating divisions, whose employees supervise the construction of each new home community, coordinate the activities of subcontractors and suppliers, subject their work to quality and cost controls and assure compliance with zoning and building codes. We specify that quality, durable materials be used in the construction of our homes. Our subcontractors follow design plans prepared by architects and engineers who are retained or directly employed by us and whose designs are geared to the local market. A majority of our home plans are prepared in our corporate office, allowing us to ensure the quality of the plans we build as well as to enable us to reduce direct costs through our value engineering efforts.

Subcontractors typically are retained on a project-by-project basis to complete construction at a fixed price. Agreements with our subcontractors and materials suppliers are generally entered into after competitive bidding. In connection with this competitive bid process, we obtain information from prospective subcontractors and vendors with respect to their financial condition and ability to perform their agreements with us. We do not maintain significant inventories of construction materials, except for materials being utilized for homes under construction. We have numerous suppliers of raw materials and services used in our business, and such materials and services have been, and continue to be, available. Material prices may fluctuate, however, due to various factors, including demand or supply shortages, which may be beyond the control of our vendors. Whenever possible, we enter into regional and national supply contracts with certain of our vendors. We believe that our relationships with our suppliers and subcontractors are good.

Construction time for our homes depends on the availability of labor, materials and supplies, product type and location. Homes are designed to promote efficient use of space and materials, and to minimize construction costs and time. In all of our markets, construction of a home is typically completed within three to six months following commencement of construction. At September 30, 2010, excluding models, we had 1,393 homes at various stages of completion of which 588 were under contract and included in backlog at such date and 805 homes (423 were completed and 382 under construction) were not under a sales contract, either because the construction of the home was begun without a sales contract or because the original sales contract had been cancelled.

Warranty Program

For certain homes sold through March 31, 2004 (and in certain markets through July 31, 2004), we self-insured our warranty obligations through our wholly owned risk retention group. We continue to maintain reserves to cover potential claims on homes covered under this warranty program. Beginning with homes sold on or after April 1, 2004 (August 1, 2004 in certain markets), our warranties are issued, administered and insured, subject to applicable self-insured retentions, by independent third parties. We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined performance quality standards. In addition, we provide a limited warranty (generally ranging from a minimum of five years up to the period covered by the applicable statute of repose) covering only certain defined construction defects. We also provide a defined structural warranty with single-family homes and townhomes in certain states.

Since we subcontract our homebuilding work to subcontractors whose contracts generally include an indemnity obligation and a requirement that certain minimum insurance requirements be met, including providing us with a certificate of insurance prior to receiving payments for their work, many claims relating to workmanship and materials are the primary responsibility of our subcontractors.

In addition, we maintain third-party insurance, subject to applicable self-insured retentions, for most construction defects that we encounter in the normal course of business. We believe that our warranty and litigation accruals and third-party insurance are adequate to cover the ultimate resolution of our potential liabilities associated with known and anticipated warranty and construction defect related claims and litigation. Please see "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" and Note 13, "Contingencies" to the Consolidated Financial Statements for additional information.

There can be no assurance, however, that the terms and limitations of the limited warranty will be effective against claims made by the homebuyers, that we will be able to renew our insurance coverage or renew it at reasonable rates, that we will not be liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible construction defects, soil subsidence or building related claims or that claims will not arise out of events or circumstances not covered by insurance and/or not subject to effective indemnification agreements with our subcontractors.

Marketing and Sales

We make extensive use of online and traditional advertising vehicles and other promotional activities, including our Internet website (http://*www.beazer.com*), real estate listing sites, search engine marketing, mass-media advertisements, brochures, direct marketing, directional billboards and the placement of strategically located signboards in the immediate areas of our developments.

We normally build, decorate, furnish and landscape model homes for each community and maintain on-site sales offices. At September 30, 2010, we maintained 248 model homes, of which 240 were owned and 8 were leased from third parties pursuant to sale and leaseback agreements. We believe that model homes play a particularly important role in our marketing efforts.

We generally sell our homes through commissioned new home sales counselors (who typically work from the sales offices located in the model homes used in the subdivision) as well as through independent brokers. Our personnel are available to assist prospective homebuyers by providing them with floor plans, price information, tours of model homes, and a detailed explanation of eSMART and the associated savings opportunities. The selection of interior features is a principal component of our marketing and sales efforts. Sales personnel are trained by us and participate in a structured training program to be updated on sales techniques, product enhancements, competitive products in the area, the availability of financing, construction schedules, marketing and advertising plans and Company policies including compliance, which management believes results in a sales force with extensive knowledge of our operating policies and housing products. Our policy also provides that sales personnel be licensed real estate agents where required by law. Depending on market conditions, we also at times begin construction on a number of homes for which no signed sales contract exists. The use of an inventory of such homes satisfies the requirements of relocated personnel, first time buyers and of independent brokers, who often represent customers who require a completed home within 60 days. We sometimes use various sales incentives in order to attract homebuyers. The use of incentives depends largely on local economic and competitive market conditions.

During fiscal 2009, we established a national new home contact center within our existing leased premises in Phoenix, Arizona. This contact center responds to telephonic and electronic (email) inquiries from prospective home buyers by providing any required information and then scheduling an appointment with a new home sales counselor in one of our new home communities.

Customer Financing

Through January 31, 2008, Beazer Mortgage Corporation (Beazer Mortgage) financed certain of our mortgage lending activities with borrowings under its warehouse line of credit or from general corporate funds prior to selling the loans and their servicing rights shortly after origination to third-party investors. Beazer Mortgage provided qualified homebuyers numerous financing options, including conventional, FHA and Veterans' Administration (VA) financing programs. Effective February 1, 2008, we exited the mortgage origination business and entered into an exclusive preferred lender arrangement with a national, third-party mortgage provider. The operating results of Beazer Mortgage are included in loss from discontinued operations, net of tax in the Consolidated Statements of Operations for all periods presented. See Item 3 — Legal Proceedings for discussion of the investigations and litigation related to our mortgage origination business.

Up until September 30, 2010, we offered title insurance services to our homebuyers in several of our markets. Effective September 30, 2010, we have sold or discontinued all of our title services operations. The operating results of our title services operations which were previously reported in our Financial Services Segment are included in loss from discontinued operations, net of tax in the Consolidated Statements of Operations for all periods presented.

Competition

The development and sale of residential properties is highly competitive and fragmented, particularly in the current weak housing environment. We compete for residential sales on the basis of a number of interrelated factors, including location, reputation, amenities, design, quality and price, with numerous large and small homebuilders, including some homebuilders with nationwide operations and greater financial resources and/or lower costs than us. We also compete for residential sales with individual resales of existing homes (including a growing number of foreclosed homes offered at substantially reduced prices), available rental housing and, to a lesser extent, resales of condominiums. In recent months, short sales (a transaction in which the seller's mortgage lender agrees to accept a payoff of less than the balance due on the loan) and foreclosures have become a sizable portion of the existing home market.

We utilize our experience within our geographic markets and breadth of product line to vary our regional product offerings to reflect changing market conditions. We strive to respond to market conditions and to capitalize on the opportunities for advantageous land acquisitions in desirable locations. To further strengthen our competitive position, we rely on quality design, construction and service to provide customers with a higher measure of home.

Government Regulation and Environmental Matters

Generally, our land is purchased with entitlements, giving us the right to obtain building permits upon compliance with specified conditions, which generally are within our control. The length of time necessary to obtain such permits and approvals affects the carrying costs of unimproved property acquired for the purpose of development and construction. In addition, the continued effectiveness of permits already granted is subject to factors such as changes in policies, rules and regulations and their interpretation and application. Many governmental authorities have imposed impact fees as a means of defraying the cost of providing certain governmental services to developing areas. To date, the governmental approval processes discussed above have not had a material adverse effect on our development activities, and indeed all homebuilders in a given market face the same fees and restrictions. There can be no assurance, however, that these and other restrictions will not adversely affect us in the future.

We may also be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums, "slow-growth" or "no-growth" initiatives or building permit allocation ordinances which could be implemented in the future in the states and markets in which we operate. Substantially all of our land is entitled and, therefore, the moratoriums generally would only adversely affect us if they arose from health, safety and welfare issues such as insufficient water or sewage facilities. Local and state governments also have broad discretion regarding the imposition of development fees for communities in their jurisdictions. These fees are normally established, however, when we receive recorded final maps and building permits. We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. These laws may result in delays, cause us to incur substantial compliance and other costs, and prohibit or severely restrict development in certain environmentally sensitive regions or areas.

In order to provide homes to homebuyers qualifying for FHA-insured or VA-guaranteed mortgages, we must construct homes in compliance with FHA and VA regulations. Our title subsidiaries are subject to various licensing requirements and real estate laws and regulations in the states in which they do business. These laws and regulations include provisions regarding operating procedures, investments, lending and privacy disclosures, forms of policies and premiums.

In some states, we are required to be registered as a licensed contractor and comply with applicable rules and regulations. Also, in various states, our new home counselors are required to be licensed real estate agents and to comply with the laws and regulations applicable to real estate agents.

Failure to comply with any of these laws or regulations could result in loss of licensing and a restriction of our business activities in the applicable jurisdiction.

Bonds and Other Obligations

In connection with the development of our communities, we are frequently required to provide letters of credit and performance, maintenance and other bonds in support of our related obligations with respect to such developments. The amount of such obligations outstanding at any time varies in accordance with our pending development activities. In the event any such bonds or letters of credit are drawn upon, we would be obligated to reimburse the issuer of such bonds or letters of credit. At September 30, 2010 we had approximately $37.9 million and $184.7 million of outstanding letters of credit and performance bonds, respectively, primarily related to our obligations to local governments to construct roads and other improvements in various developments. This includes outstanding letters of credit of approximately $3.7 million related to our land option contracts.

Employees and Subcontractors

At September 30, 2010, we employed 883 persons, of whom 275 were sales and marketing personnel and 186 were involved in construction. Although none of our employees are covered by collective bargaining agreements, certain of the subcontractors engaged by us are represented by labor unions or are subject to collective bargaining arrangements. We believe that our relations with our employees and subcontractors are good.

Available Information

Our Internet website address is www.beazer.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after we electronically file with or furnish them to the Securities and Exchange Commission (SEC) and are available in print to any stockholder who requests a printed copy. The public may also read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains a website that contains reports, proxy statements, information statements and other information regarding issuers, including us, that file electronically with the SEC at www.sec.gov.

In addition, many of our corporate governance documents are available on our website at www.beazer.com. Specifically, our Audit, Finance, Compensation and Nominating/Corporate Governance Committee Charters, our Corporate Governance Guidelines and Code of Business Conduct and Ethics are available. Each of these documents is available in print to any stockholder who requests it.

The content on our website is available for information purposes only and is not a part of and shall not be deemed incorporated by reference in this report.

Item 1A. ***Risk Factors***

The homebuilding industry has been experiencing a severe downturn that may continue for an indefinite period and continue to adversely affect our business, results of operations and stockholders' equity.

Most housing markets across the United States continue to be characterized by an oversupply of both new and resale home inventory, including foreclosed homes, reduced levels of consumer demand for new homes, increased cancellation rates, aggressive price competition among homebuilders and increased incentives for home sales. As a result of these factors, we, like many other homebuilders, have experienced a material reduction in revenues and margins. These challenging market conditions are expected to continue for the foreseeable future and, in the near term, these conditions may further deteriorate. We expect that continued weakness in the homebuilding market would adversely affect our business, results of operations and stockholders' equity as compared to prior periods and could result in additional inventory impairments in the future.

During the past few years, we have experienced elevated levels of cancellations by potential homebuyers although the level of cancellations has improved significantly during the last few quarters. Our backlog reflects the number and value of homes for which we have entered into a sales contract with a customer but have not yet delivered the home. Although these sales contracts typically require a cash deposit and do not make the sale contingent on the sale of the customer's existing home, in some cases a customer may cancel the contract and receive a complete or partial refund of the deposit as a result of local laws or as a matter of our business practices. If the current industry downturn continues, economic conditions continue to deteriorate or if mortgage financing becomes less accessible, more homebuyers may have an incentive to cancel their contracts with us, even where they might be entitled to no refund or only a partial refund, rather than complete the purchase. Significant cancellations have had, and could have, a material adverse effect on our business as a result of lost sales revenue and the accumulation of unsold housing inventory. In particular, our cancellation rates for the fiscal quarter and fiscal year ended September 30, 2010 were 33.0% and 25.5%, respectively. It is important to note that both backlog and cancellation metrics are operational, rather than accounting data, and should be used only as a general gauge to evaluate performance. There is an inherent imprecision in these metrics based on an evaluation of qualitative factors during the transaction cycle.

Based on our impairment tests and consideration of the current and expected future market conditions, we recorded inventory impairment charges of $51.0 million and lot option abandonment charges of $0.9 million during fiscal 2010. During fiscal 2010, we also wrote down our investment in certain of our joint ventures reflecting $24.3 million of impairments of inventory held within those ventures. Future economic or financial developments, including general interest rate increases, poor performance in either the national economy or individual local economies, or our ability to meet our projections could lead to future impairments.

Our home sales and operating revenues could decline due to macro-economic and other factors outside of our control, such as changes in consumer confidence, declines in employment levels and increases in the quantity and decreases in the price of new homes and resale homes in the market.

Changes in national and regional economic conditions, as well as local economic conditions where we conduct our operations and where prospective purchasers of our homes live, may result in more caution on the part of homebuyers and, consequently, fewer home purchases. These economic uncertainties involve, among other things, conditions of supply and demand in local markets and changes in consumer confidence and income, employment levels, and government regulations. These risks and uncertainties could periodically have an adverse effect on consumer demand for and the pricing of our homes, which could cause our operating revenues to decline. Additional reductions in our revenues could, in turn, further negatively affect the market price of our securities.

We are the subject of pending civil litigation which could require us to pay substantial damages or could otherwise have a material adverse effect on us. The failure to fulfill our obligations under the Deferred Prosecution Agreement (the DPA) with the United States Attorney (or related agreements) and the consent order with the SEC could have a material adverse effect on our operations.

On July 1, 2009, we entered into the DPA with the United States Attorney for the Western District of North Carolina and a separate but related agreement with the United States Department of Housing and Urban Development (HUD) and the Civil Division of the United States Department of Justice (the HUD Agreement). As of September 30, 2010, we have paid $5 million to HUD pursuant to the HUD Agreement. Under the DPA, we are obligated to make payments to a restitution fund in an amount not to exceed $50 million. As of September 30, 2010, we have been credited with making $10 million of such payments. In connection with fiscal 2010, we will pay an additional $1.0 million to such fund. Future payments to the restitution fund will be equal to 4% of "adjusted EBITDA" as defined in the DPA for the first to occur of (x) a period of 60 months and (y) the total of all payments to the restitution fund equaling $50 million. In the event such payments do not equal at least $50 million at the end of

60 months then, under the HUD Agreement, the obligations to make restitution payments will continue until the first to occur of (a) 24 months or (b) the date that $48 million has been paid into the restitution fund. Our obligation to make such payments could limit our ability to invest in our business or make payments of principal or interest on our outstanding debt. In addition, in the event we fail to comply with our obligations under the DPA or the HUD Agreement various federal authorities could bring criminal or civil charges against us which could be material to our consolidated financial position, results of operations and liquidity.

We and certain of our current and former employees, officers and directors have been named as defendants in securities lawsuits and class action lawsuits. In addition, certain of our subsidiaries have been named in class action and multi-party lawsuits regarding claims made by homebuyers. While a number of these suits have been dismissed and/or settled, we cannot be assured that new claims by different plaintiffs will not be brought in the future. We cannot predict or determine the timing or final outcome of the current lawsuits or the effect that any adverse determinations in the lawsuits may have on us. An unfavorable determination in any of the lawsuits could result in the payment by us of substantial monetary damages which may not be covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and the Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our business, financial condition and results of operations. In addition to expenses incurred to defend the Company in these matters, under Delaware law and our bylaws, we may have an obligation to indemnify our current and former officers and directors in relation to these matters. We have obligations to advance legal fees and expenses to certain directors and officers, and we have advanced, and may continue to advance, legal fees and expenses to certain other current and former employees.

In connection with the settlement agreement with the SEC entered into on September 24, 2008, we consented, without admitting or denying any wrongdoing, to a cease and desist order requiring future compliance with certain provisions of the federal securities laws and regulations. If we are found to be in violation of the order in the future, we may be subject to penalties and other adverse consequences as a result of the prior actions which could be material to our consolidated financial position, results of operations and liquidity.

Our insurance carriers may seek to rescind or deny coverage with respect to certain of the pending lawsuits, or we may not have sufficient coverage under such policies. If the insurance companies are successful in rescinding or denying coverage or if we do not have sufficient coverage under our policies, our business, financial condition and results of operations could be materially adversely affected.

We are dependent on the services of certain key employees, and the loss of their services could hurt our business.

Our future success depends upon our ability to attract, train, assimilate and retain skilled personnel. If we are unable to retain our key employees or attract, train, assimilate or retain other skilled personnel in the future, it could hinder our business strategy and impose additional costs of identifying and training new individuals. Competition for qualified personnel in all of our operating markets is intense.

Potential future downgrades of our credit ratings could adversely affect our access to capital and could otherwise have a material adverse effect on us.

Over the past few years, the rating agencies had downgraded the Company’s corporate credit rating and ratings on the Company’s senior unsecured notes due to the deterioration in our homebuilding operations, credit metrics, other earnings-based metrics and the significant decrease in our tangible net worth. Although the rating agencies have increased these ratings recently, these ratings and our current credit condition affect, among other things, our ability to access new capital, especially debt, and negative changes in these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. Our credit ratings could be further lowered or rating agencies could issue adverse commentaries in the future, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. In particular, a weakening of our financial condition, including a significant increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, result in a credit rating downgrade or change in outlook, or otherwise increase our cost of borrowing.

Our Senior Notes, revolving credit and letter of credit facilities, and certain other debt impose significant restrictions and obligations on us. Restrictions on our ability to borrow could adversely affect our liquidity. In addition, our substantial indebtedness could adversely affect our financial condition, limit our growth and make it more difficult for us to satisfy our debt obligations.

Certain of our secured and unsecured indebtedness and revolving credit and letter of credit facilities impose certain restrictions and obligations on us. Under certain of these instruments, we must comply with defined covenants which limit the Company's ability to, among other things, incur additional indebtedness, engage in certain asset sales, make certain types of restricted payments, engage in transactions with affiliates and create liens on assets of the Company. Failure to comply with certain of these covenants could result in an event of default under the applicable instrument. Any such event of default could negatively impact other covenants or lead to cross defaults under certain of our other debt. There can be no assurance that we will be able to obtain any waivers or amendments that may become necessary in the event of a future default situation without significant additional cost or at all.

As of September 30, 2010, we had total outstanding indebtedness of approximately $1.2 billion, net of unamortized discount of approximately $23.6 million. Our substantial indebtedness could have important consequences to us and the holders of our securities, including, among other things:

- causing us to be unable to satisfy our obligations under our debt agreements;
- making us more vulnerable to adverse general economic and industry conditions;
- making it difficult to fund future working capital, land purchases, acquisitions, share repurchases, general corporate purposes or other purposes; and
- causing us to be limited in our flexibility in planning for, or reacting to, changes in our business.

In addition, subject to restrictions in our existing debt instruments, we may incur additional indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify. Our growth plans and our ability to make payments of principal or interest on, or to refinance, our indebtedness, will depend on our future operating performance and our ability to enter into additional debt and/or equity financings. If we are unable to generate sufficient cash flows in the future to service our debt, we may be required to refinance all or a portion of our existing debt, to sell assets or to obtain additional financing. We may not be able to do any of the foregoing on terms acceptable to us, if at all.

A substantial increase in mortgage interest rates or unavailability of mortgage financing may reduce consumer demand for our homes.

Substantially all purchasers of our homes finance their acquisition with mortgage financing. The U.S. residential mortgage market has been impacted by the deterioration in the credit quality of loans originated to non-prime and subprime borrowers and an increase in mortgage foreclosure rates. These difficulties are not expected to improve until residential real estate inventories return to a more normal level and the mortgage credit market stabilizes. While the ultimate outcome of recent events cannot be predicted, they have had and may continue to have an impact on the availability and cost of mortgage financing to our customers. The volatility in interest rates, the decrease in the willingness and ability of lenders to make home mortgage loans, the tightening of lending standards and the limitation of financing product options, have made it more difficult for homebuyers to obtain acceptable financing. Any substantial increase in mortgage interest rates or unavailability of mortgage financing would adversely affect the ability of prospective first-time and move-up homebuyers to obtain financing for our homes, as well as adversely affect the ability of prospective move-up homebuyers to sell their current homes. This disruption in the credit markets and the curtailed availability of mortgage financing has adversely affected, and is expected to continue to adversely affect, our business, financial condition, results of operations and cash flows as compared to prior periods.

If we are unsuccessful in competing against our homebuilding competitors, our market share could decline or our growth could be impaired and, as a result, our financial results could suffer.

Competition in the homebuilding industry is intense, and there are relatively low barriers to entry into our business. Increased competition could hurt our business, as it could prevent us from acquiring attractive parcels of land on which to build homes or make such acquisitions more expensive, hinder our market share expansion, and lead to pricing pressures on our homes that may adversely impact our margins and revenues. If we are unable to successfully compete, our financial results could suffer and the value of, or our ability to service, our debt could be adversely affected. Our competitors may independently develop land and construct housing units that are superior or substantially similar to our products. Furthermore, some of our competitors have substantially greater financial resources and lower costs of funds than we do. Many of these competitors also have longstanding relationships with subcontractors and suppliers in the markets in which we operate. We currently build in several of the top markets in the nation and, therefore, we expect to continue to face additional competition from new entrants into our markets.

Our financial condition, results of operations and stockholders' equity may be adversely affected by any decrease in the value of our inventory, as well as by the associated carrying costs.

We regularly acquire land for replacement and expansion of land inventory within our existing and new markets. The risks inherent in purchasing and developing land increase as consumer demand for housing decreases. The market value of land, building lots and housing inventories can fluctuate significantly as a result of changing market conditions and the measures we employ to manage inventory risk may not be adequate to insulate our operations from a severe drop in inventory values. When market conditions are such that land values are not appreciating, previously entered into option agreements may become less desirable, at which time we may elect to forego deposits and preacquisition costs and terminate the agreements. In fiscal 2010, we recorded $0.9 million of lot option abandonment charges. During fiscal 2010, as a result of the further deterioration of the housing market, we determined that the carrying amount of certain of our inventory assets exceeded their estimated fair value. As a result of our analysis, during fiscal 2010, we incurred $51.0 million of non-cash pre-tax charges related to inventory impairments. If these adverse market conditions continue or worsen, we may have to incur additional inventory impairment charges which would adversely affect our financial condition, results of operations and stockholders' equity and our ability to comply with certain covenants in our debt instruments linked to tangible net worth.

We conduct certain of our operations through unconsolidated joint ventures with independent third parties in which we do not have a controlling interest and we can be adversely impacted by joint venture partners' failure to fulfill their obligations.

We participate in land development joint ventures (JVs) in which we have less than a controlling interest. We have entered into JVs in order to acquire attractive land positions, to manage our risk profile and to leverage our capital base. Our JVs are typically entered into with developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture's members and other third parties. As a result of the continued deterioration of the housing market, we have written down our investment in certain of our JVs reflecting impairments of inventory held within those JVs. If these adverse market conditions continue or worsen, we may have to take further writedowns of our investments in our JVs.

Our joint venture investments are generally very illiquid both because we lack a controlling interest in the JVs and because most of our JVs are structured to require super-majority or unanimous approval of the members to sell a substantial portion of the JV's assets or for a member to receive a return of its invested capital. Our lack of a controlling interest also results in the risk that the JV will take actions that we disagree with, or fail to take actions that we desire, including actions regarding the sale of the underlying property.

Our JVs typically obtain secured acquisition, development and construction financing. Generally, we and our joint venture partners have provided varying levels of guarantees of debt or other obligations of our unconsolidated JVs. At September 30, 2010, these guarantees included, for certain joint ventures, construction completion guarantees, loan-to-value maintenance agreements, repayment guarantees and environmental indemnities. As of September 30, 2010, one of our unconsolidated joint ventures is in default under its debt agreement. If all of the guarantees under these debt agreements were drawn upon or otherwise invoked, our obligations would total $15.8 million. We cannot predict whether such events will occur or whether such obligations will be invoked.

We may not be able to utilize all of our deferred tax assets.

As of September 30, 2010, we are in a cumulative loss position based on the guidance in Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (ASC 740). Due to this cumulative loss position and the lack of sufficient objective evidence regarding the realization of our deferred tax assets in the foreseeable future, we have recorded a valuation allowance for substantially all of our deferred tax assets. Although we do expect the industry to recover from the current downturn to normal profit levels in the future, it may be necessary for us to record additional valuation allowances in the future related to operating losses. Additional valuation allowances could materially increase our income tax expense, and therefore adversely affect our results of operations and tangible net worth in the period in which such valuation allowance is recorded.

We could experience a reduction in home sales and revenues or reduced cash flows due to our inability to acquire land for our housing developments if we are unable to obtain reasonably priced financing to support our homebuilding activities.

The homebuilding industry is capital intensive, and homebuilding requires significant up-front expenditures to acquire land and to begin development. Accordingly, we incur substantial indebtedness to finance our homebuilding activities. If internally generated funds are not sufficient, we would seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financing and/or securities offerings. The amount and types of indebtedness which we may incur are limited by the terms of our existing debt. In addition, the availability of borrowed funds, especially for land acquisition and construction financing, may be greatly reduced nationally, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with both new loans and the extension of existing loans. The credit and capital markets have recently experienced significant volatility. If we are required to seek additional financing to fund our operations, continued volatility in these markets may restrict our flexibility to access such financing. If we are not successful in obtaining sufficient capital to fund our planned capital and other expenditures, we may be unable to acquire land for our housing developments. Additionally, if we cannot obtain additional financing to fund the purchase of land under our option contracts, we may incur contractual penalties and fees.

Our stock price is volatile and could further decline.

The securities markets in general and our common stock in particular have experienced significant price and volume volatility over the past few years. The market price and volume of our common stock may continue to experience significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our industry, operations or business prospects. In addition to the other risk factors discussed in this section, the price and volume volatility of our common stock may be affected by:

- operating results that vary from the expectations of securities analysts and investors;
- factors influencing home purchases, such as availability of home mortgage loans and interest rates, credit criteria applicable to prospective borrowers, ability to sell existing residences, and homebuyer sentiment in general;
- the operating and securities price performance of companies that investors consider comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors; and
- changes in global financial markets and global economies and general market conditions, such as interest rates, commodity and equity prices and the value of financial assets.

To the extent that the price of our common stock remains low or declines, our ability to raise funds through the issuance of equity or otherwise use our common stock as consideration will be reduced. This, in turn, may adversely impact our ability to reduce our financial leverage, as measured by the ratio of debt to total capital. As of

September 30, 2010, our financial leverage was 75.3%. Continued high levels of leverage or significant increases may adversely affect our credit ratings and make it more difficult for us to access additional capital. These factors may limit our ability to implement our operating and growth plans.

The tax benefits of our pre-ownership change net operating loss carryforwards and any future recognized built-in losses in our assets will be substantially limited since we experienced an "ownership change" as defined in Section 382 of the Internal Revenue Code.

Based on recent impairments and our current financial performance, we generated net operating losses for fiscal 2010 and could possibly generate additional net operating losses in future years. In addition, we believe we have significant "built-in losses" in our assets (i.e. an excess tax basis over current fair market value) that may result in tax losses as such assets are sold. Net operating losses generally may be carried forward for a 20-year period to offset future earnings and reduce our federal income tax liability. Built-in losses, if and when recognized, generally will result in tax losses that may then be deducted or carried forward. However, because we experienced an "ownership change" under Section 382 of the Internal Revenue Code as of January 12, 2010, our ability to realize these tax benefits may be significantly limited.

Section 382 contains rules that limit the ability of a company that undergoes an "ownership change," which is generally defined as any change in ownership of more than 50% of its common stock over a three-year period, to utilize its net operating loss carryforwards and certain built-in losses or deductions, as of the ownership change date, that are recognized during the five-year period after the ownership change. These rules generally operate by focusing on changes in the ownership among shareholders owning, directly or indirectly, 5% or more of the company's common stock (including changes involving a shareholder becoming a 5% shareholder) or any change in ownership arising from a new issuance of stock or share repurchases by the company.

As a result of our recent "ownership change" for purposes of Section 382, our ability to use certain of our pre-ownership change net operating loss carryforwards and recognize certain built-in losses or deductions is limited by Section 382 to an estimated maximum amount of approximately $11.4 million ($4 million tax-effected) annually. Based on the resulting limitation, a significant portion of our pre-ownership change net operating loss carryforwards and any future recognized built-in losses or deductions could expire before we would be able to use them. Our inability to utilize our limited pre-ownership change net operating loss carryforwards and any future recognized built-in losses or deductions or the occurrence of a future ownership change and resulting additional limitations could have a material adverse effect on our financial condition, results of operations and cash flows.

We are subject to extensive government regulation which could cause us to incur significant liabilities or restrict our business activities.

Regulatory requirements could cause us to incur significant liabilities and operating expenses and could restrict our business activities. We are subject to local, state and federal statutes and rules regulating, among other things, certain developmental matters, building and site design, and matters concerning the protection of health and the environment. Our operating expenses may be increased by governmental regulations such as building permit allocation ordinances and impact and other fees and taxes, which may be imposed to defray the cost of providing certain governmental services and improvements. Other governmental regulations, such as building moratoriums and "no growth" or "slow growth" initiatives, which may be adopted in communities which have developed rapidly, may cause delays in new home communities or otherwise restrict our business activities resulting in reductions in our revenues. Any delay or refusal from government agencies to grant us necessary licenses, permits and approvals could have an adverse effect on our operations.

We may incur additional operating expenses due to compliance programs or fines, penalties and remediation costs pertaining to environmental regulations within our markets.

We are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. 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 use of the site. Environmental laws may result in delays, may cause us to implement time consuming and expensive compliance programs and may prohibit or severely restrict development in certain environmentally sensitive regions or areas. From time to time, the United States Environmental Protection Agency (EPA) and similar federal or state agencies review homebuilders' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs. Further, we expect that increasingly stringent requirements will be imposed on homebuilders in the future. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials such as lumber. Our communities in California are especially susceptible to restrictive government regulations and environmental laws.

We may be subject to significant potential liabilities as a result of construction defect, product liability and warranty claims made against us.

As a homebuilder, we have been, and continue to be, subject to construction defect, product liability and home warranty claims, including moisture intrusion and related claims, arising in the ordinary course of business. These claims are common to the homebuilding industry and can be costly.

We and certain of our subsidiaries have been, and continue to be, named as defendants in various construction defect claims, product liability claims, complaints and other legal actions that include claims related to Chinese drywall and moisture intrusion. As of September 30, 2010, our warranty reserves include an estimate for the repair of less than 60 homes in Florida where certain of our subcontractors installed defective Chinese drywall in homes that were delivered during our 2006 and 2007 fiscal years. As of September 30, we have completed repairs on approximately 52% of these homes. We are inspecting additional homes in order to determine whether they also contain defective Chinese drywall. The outcome of these inspections and other potential future inspections or an unexpected increase in repair costs may require us to increase our warranty reserve in the future. However, the amount of additional liability, if any, is not reasonably estimable. Furthermore, plaintiffs may in certain of these legal proceedings seek class action status with potential class sizes that vary from case to case. Class action lawsuits can be costly to defend, and if we were to lose any certified class action suit, it could result in substantial liability for us.

With respect to certain general liability exposures, including construction defect claims, product liability claims and defective Chinese drywall and related claims, interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation process is highly judgmental due to the complex nature of these exposures, with each exposure exhibiting unique circumstances. Furthermore, once claims are asserted for construction defects, it can be difficult to determine the extent to which the assertion of these claims will expand geographically. Although we have obtained insurance for construction defect claims subject to applicable self-insurance retentions, such policies may not be available or adequate to cover liability for damages, the cost of repairs, and/or the expense of litigation surrounding current claims, and future claims may arise out of events or circumstances not covered by insurance and not subject to effective indemnification agreements with our subcontractors.

Our operating expenses could increase if we are required to pay higher insurance premiums or litigation costs for various claims, which could cause our net income to decline.

The costs of insuring against construction defect, product liability and director and officer claims are substantial. Increasingly in recent years, lawsuits (including class action lawsuits) have been filed against builders, asserting claims of personal injury and property damage. Our insurance may not cover all of the claims, including personal injury claims, or such coverage may become prohibitively expensive. If we are not able to obtain adequate insurance against these claims, we may experience losses that could reduce our net income and restrict our cash flow available to service debt.

Historically, builders have recovered from subcontractors and their insurance carriers a significant portion of the construction defect liabilities and costs of defense that the builders have incurred. Insurance coverage available to subcontractors for construction defects is becoming increasingly expensive, and the scope of coverage is restricted. If we cannot effectively recover from our subcontractors or their carriers, we may suffer greater losses which could decrease our net income.

A builder's ability to recover against any available insurance policy depends upon the continued solvency and financial strength of the insurance carrier that issued the policy. Many of the states in which we build homes have lengthy statutes of limitations applicable to claims for construction defects. To the extent that any carrier providing insurance coverage to us or our subcontractors becomes insolvent or experiences financial difficulty in the future, we may be unable to recover on those policies, and our net income may decline.

We are dependent on the continued availability and satisfactory performance of our subcontractors, which, if unavailable, could have a material adverse effect on our business.

We conduct our construction operations only as a general contractor. Virtually all construction work is performed by unaffiliated third-party subcontractors. As a consequence, we depend on the continued availability of and satisfactory performance by these subcontractors for the construction of our homes. There may not be sufficient availability of and satisfactory performance by these unaffiliated third-party subcontractors in the markets in which we operate. In addition, inadequate subcontractor resources could have a material adverse effect on our business.

We experience fluctuations and variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results.

Our operating results in a future quarter or quarters may fall below expectations of securities analysts or investors and, as a result, the market value of our common stock will fluctuate. We historically have experienced, and expect to continue to experience, variability in home sales and net earnings on a quarterly basis. As a result of such variability, our historical performance may not be a meaningful indicator of future results. Our quarterly results of operations may continue to fluctuate in the future as a result of a variety of both national and local factors, including, among others:

- the timing of home closings and land sales;
- our ability to continue to acquire additional land or secure option contracts to acquire land on acceptable terms;
- conditions of the real estate market in areas where we operate and of the general economy;
- raw material and labor shortages;
- seasonal home buying patterns; and
- other changes in operating expenses, including the cost of labor and raw materials, personnel and general economic conditions.

The occurrence of natural disasters could increase our operating expenses and reduce our revenues and cash flows.

The climates and geology of many of the states in which we operate, including California, Florida, Georgia, North Carolina, South Carolina, Tennessee and Texas, present increased risks of natural disasters. To the extent that hurricanes, severe storms, earthquakes, droughts, floods, wildfires or other natural disasters or similar events occur, our homes under construction or our building lots in such states could be damaged or destroyed, which may result in losses exceeding our insurance coverage. Any of these events could increase our operating expenses, impair our cash flows and reduce our revenues, which could, in turn, negatively affect the market price of our securities.

Future terrorist attacks against the United States or increased domestic or international instability could have an adverse effect on our operations.

Adverse developments in the war on terrorism, future terrorist attacks against the United States, or any outbreak or escalation of hostilities between the United States and any foreign power, including the armed conflicts in Iraq and Afghanistan, may cause disruption to the economy, our Company, our employees and our customers, which could adversely affect our revenues, operating expenses, and financial condition.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of September 30, 2010, we lease approximately 80,000 square feet of office space in Atlanta, Georgia to house our corporate headquarters. We also lease an aggregate of approximately 362,000 square feet of office space for our subsidiaries' operations at various locations. We have subleased approximately 75,000 square feet of our leased office space to unrelated third-parties. We own approximately 49,000 square feet of office space in Indianapolis, Indiana which we are actively marketing for sale.

Item 3. *Legal Proceedings*

Litigation

ERISA Class Actions. On April 30, 2007, a putative class action complaint was filed on behalf of a purported class consisting of present and former participants and beneficiaries of the Beazer Homes USA, Inc. 401(k) Plan against the Company and certain employees and directors of the Company. The complaint alleges breach of fiduciary duties, including those set forth in the Employee Retirement Income Security Act (ERISA), as a result of the investment of retirement monies held by the 401(k) Plan in common stock of Beazer Homes at a time when participants were allegedly not provided timely, accurate and complete information concerning Beazer Homes. Four additional lawsuits were filed subsequently making similar allegations and the court consolidated these five lawsuits. The parties have reached a settlement which will be largely funded by insurance proceeds and is subject to court approval. Under the terms of the settlement, the lawsuit will be dismissed with prejudice and there will be a release of all claims. The court has preliminarily approved the settlement and a hearing is scheduled for November 15, 2010 to consider final approval of the settlement.

Homeowners Class Action Lawsuits and Multi-Plaintiff Lawsuit. A putative class action was filed on April 8, 2008 in the United States District Court for the Middle District of North Carolina, Salisbury Division, against Beazer Homes, U.S.A., Inc., Beazer Homes Corp. and Beazer Mortgage Corporation. The Complaint alleges that Beazer violated the Real Estate Settlement Practices Act (RESPA) and North Carolina Gen. Stat. § 75-1.1 by (1) improperly requiring homebuyers to use Beazer-owned mortgage and settlement services as part of a down payment assistance program, and (2) illegally increasing the cost of homes and settlement services sold by Beazer Homes Corp. The purported class consists of all residents of North Carolina who purchased a home from Beazer, using mortgage financing provided by and through Beazer that included seller-funded down payment assistance, between January 1, 2000 and October 11, 2007. The parties have reached an agreement to settle the lawsuit, which will be partially funded by insurance proceeds and is subject to court approval. Under the terms of the settlement, the action will be dismissed with prejudice, and the Company and all other defendants will not admit any liability.

Beazer Homes and several subsidiaries were named as defendants in a putative class action lawsuit originally filed on March 12, 2008, in the Superior Court of the State of California, County of Placer. The purported class is defined as all persons who purchased a home from the defendants or their affiliates, with the assistance of a federally related mortgage loan, from March 25, 1999, to the present where Security Title Insurance Company received any money as a reinsurer of the transaction. The complaint alleges that the defendants violated RESPA and asserts claims under a number of state statutes alleging that defendants engaged in a uniform and systematic practice of giving and/or accepting fees and kickbacks to affiliated businesses including affiliated and/or recommended title insurance companies. The complaint also alleges a number of common law claims. Plaintiffs seek an unspecified amount of damages under RESPA, unspecified statutory, compensatory and punitive damages and injunctive and declaratory relief, as well as attorneys' fees and costs. Defendants removed the action to federal court and plaintiffs filed a Second Amended Complaint which substituted new named-plaintiffs. The Company filed a motion to dismiss the Second Amended Complaint, which the federal court granted in part. The federal court dismissed the sole federal claim, declined to rule on the state law claims, and remanded the case to the Superior Court of Placer

County. The Company filed a supplemental motion to dismiss/demurrer regarding the remaining state law claims in the Second Amended Complaint and the state court sustained defendants' demurrer but granted the plaintiffs leave to amend their claims. Plaintiffs thereafter filed a Third Amended Complaint which defendants removed to federal court based on the presence of a federal question and pursuant to the Class Action Fairness Act and thereafter moved to dismiss. Plaintiffs filed a motion to remand the case. The federal court granted the plaintiffs' motion and remanded the case to the Superior Court of Placer County. The defendants filed a petition with the U.S. Court of Appeals for the Ninth Circuit for permission to appeal the remand order and a demurrer in state court as to all counts of the Third Amended Complaint. The state court granted the defendants' demurrer as to the plaintiffs' breach of contract claim, but the unfair competition claim remains. The Company filed its answer to the Third Amended Complaint on June 11, 2010. The Company is in the process of conducting discovery and is vigorously defending against the action.

On June 3, 2009, a purported class action complaint was filed by the owners of one of our homes in our Magnolia Lakes' community in Ft. Myers, Florida. The complaint names the Company and certain distributors and suppliers of drywall and was filed in the Circuit Court for Lee County, Florida on behalf of the named plaintiffs and other similarly situated owners of homes in Magnolia Lakes or alternatively in the State of Florida. The plaintiffs allege that the Company built their homes with defective drywall, manufactured in China, that contains sulfur compounds that allegedly corrode certain metals and that are allegedly capable of harming the health of individuals. Plaintiffs allege physical and economic damages and seek legal and equitable relief, medical monitoring and attorney's fees. This case has been transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation. In addition, the Company has been named in other complaints filed in the multidistrict litigation and continues to pursue recovery against responsible subcontractors and drywall suppliers. The Company believes that the claims asserted in these actions are governed by its home warranty or are without merit. Accordingly, the Company intends to vigorously defend against this litigation.

The lender of one of our unconsolidated joint ventures filed individual lawsuits against some of the joint venture members and certain of those members' parent companies (including the Company), seeking to recover damages under completion guarantees, among other claims. We intend to vigorously defend against this legal action. We are a 2.58% member in this joint venture (see Note 3 for additional information). An estimate of probable loss or range of loss, if any cannot presently be made. In addition, one member of the joint venture filed an arbitration proceeding against the remaining members related to the plaintiff-member's allegations that the other members failed to perform under the applicable membership agreements. The arbitration panel issued its decision on July 6, 2010 and denied the plaintiff's claims for specific performance claims and awarded damages in an amount well below the amount claimed. The Company does not believe that its proportional share of the award is material to our consolidated financial position or results of operations. The plaintiff has moved to have the panel's award confirmed. Defendants have opposed the motion and have moved to vacate the panel's decision in part.

We cannot predict or determine the timing or final outcome of the lawsuits or the effect that any adverse findings or adverse determinations in the pending lawsuits may have on us. In addition, an estimate of possible loss or range of loss, if any, cannot presently be made with respect to the above pending matters. An unfavorable determination in any of the pending lawsuits could result in the payment by us of substantial monetary damages which may not be fully covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and the Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our business, financial condition and results of operations.

Other Matters

As disclosed in our 2009 Form 10-K, on July 1, 2009, the Company announced that it has resolved the criminal and civil investigations by the United States Attorney's Office in the Western District of North Carolina (the U.S. Attorney) and other state and federal agencies concerning matters that were the subject of the independent investigation, initiated in April 2007 by the Audit Committee of the Board of Directors (the Investigation) and concluded in May 2008. Under the terms of the deferred prosecution agreement (DPA), the Company's liability for fiscal 2010 is $1 million and in each of the fiscal years after 2010 through a portion of fiscal 2014 (unless extended as described in Note 13) will be equal to 4% of the Company's adjusted EBITDA (as defined in the DPA). The total amount of such obligations will be dependent on several factors; however, the maximum liability under the DPA and other settlement agreements discussed above will not exceed $55.0 million of which $15 million has been paid as of September 30, 2010.

In November 2003, Beazer Homes received a request for information from the EPA pursuant to Section 308 of the Clean Water Act seeking information concerning the nature and extent of storm water discharge practices relating to certain of our communities completed or under construction. The EPA or the equivalent state agency has issued Administrative Orders identifying alleged instances of noncompliance and requiring corrective action to address the alleged deficiencies in storm water management practices. The parties have agreed to settle this matter and the terms are being finalized. The amount to be paid by the Company pursuant to the settlement agreement will not have a material adverse effect on our financial condition, results of operation or cash flows. Beazer Homes has taken action to comply with the requirements of each of the Administrative Orders and is working to otherwise maintain compliance with the requirements of the Clean Water Act.

In 2006, we received two Administrative Orders issued by the New Jersey Department of Environmental Protection. The Orders allege certain violations of wetlands disturbance permits. The two Orders assess proposed fines of $630,000 and $678,000, respectively. We have met with the Department to discuss their concerns on the two affected communities and have requested hearings on both matters. We believe that we have significant defenses to the alleged violations and intend to contest the agency's findings and the proposed fines. We are currently pursuing settlement discussions with the Department.

We and certain of our subsidiaries have been named as defendants in various claims, complaints and other legal actions, most relating to construction defects, moisture intrusion and product liability. Certain of the liabilities resulting from these actions are covered in whole or part by insurance. In our opinion, based on our current assessment, the ultimate resolution of these matters will not have a material adverse effect on our financial condition, results of operations or cash flows.

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

None.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

The Company lists its common shares on the New York Stock Exchange (NYSE) under the symbol "BZH." On November 3, 2010, the last reported sales price of the Company's common stock on the NYSE was $4.18. On November 3, 2010, Beazer Homes USA, Inc. had approximately 237 stockholders of record and 75,669,381 shares of common stock outstanding. The following table sets forth, for the quarters indicated, the range of high and low trading for the Company's common stock during fiscal 2010 and 2009.

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Fiscal Year 2010:				
High	**$6.06**	**$5.44**	**$7.08**	**$4.69**
Low	**$3.90**	**$3.83**	**$3.61**	**$3.10**

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Fiscal Year 2009:				
High	$6.76	$1.71	$3.95	$6.93
Low	$1.13	$0.24	$0.87	$1.36

Dividends

Effective November 2, 2007, the Board of Directors suspended the payment of quarterly dividends. The Board concluded that this action, which will allow the Company to conserve approximately $16 million of cash on an annual basis, was a prudent effort in light of the continued deterioration in the housing market. The Board of Directors will periodically reconsider the declaration of dividends. The reinstatement of quarterly dividends, the amount of such dividends, and the form in which the dividends are paid (cash or stock) depends upon the results of operations, the financial condition of the Company and other factors which the Board of Directors deems relevant. The indentures under which our senior notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At September 30, 2010, under the most restrictive covenants of each indenture, none of our retained earnings was available for cash dividends or share repurchases.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of September 30, 2010 with respect to our shares of common stock that may be issued under our existing equity compensation plans, all of which have been approved by our stockholders:

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding (a)	Weighted Average Exercise Price of Outstanding (b)	Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation (c)
Equity compensation plans approved by stockholders	2,578,354	$22.69	3,987,710

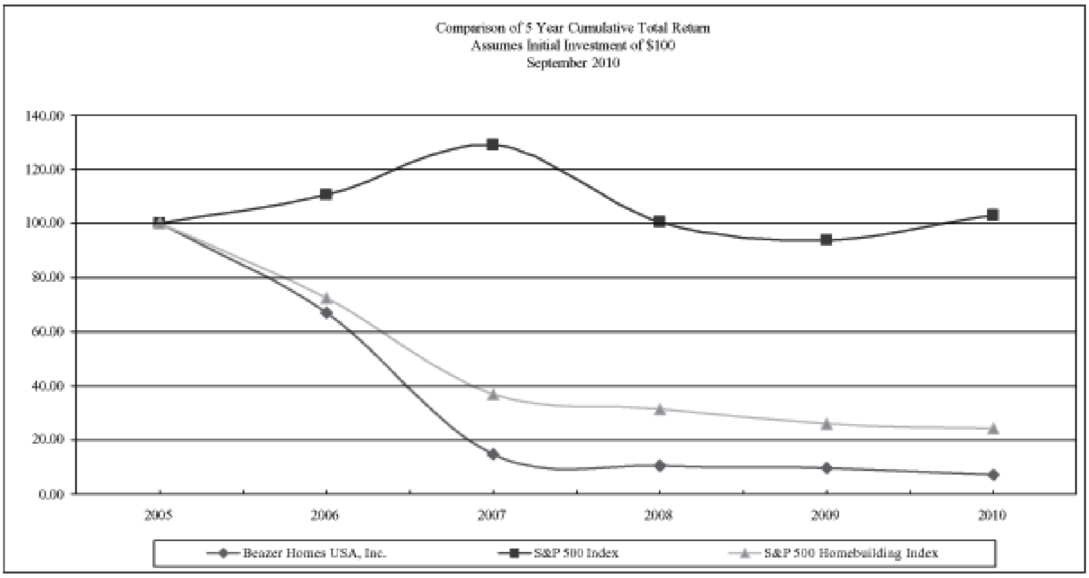
Issuer Purchases of Equity Securities

On November 18, 2005, as part of an acceleration of our comprehensive plan to enhance stockholder value, our Board of Directors authorized an increase of our stock repurchase plan to ten million shares of our common stock. Shares may be purchased for cash in the open market, on the NYSE or in privately negotiated transactions. During fiscal 2010, 2009 and 2008, we did not repurchase any shares in the open market. We have currently suspended our repurchase program and any resumption of such program will be at the discretion of the Board of Directors and is unlikely in the foreseeable future.

During the quarter ended September 30, 2010, 5,634 shares, at an average price of $4.52 per share, were surrendered to us by employees in payment of minimum tax obligations upon the vesting of restricted stock units under our stock incentive plans.

Performance Graph

The following graph illustrates the cumulative total stockholder return on Beazer Homes' common stock for the last five fiscal years through September 30, 2010, compared to the S&P 500 Index and the S&P 500 Homebuilding Index. The comparison assumes an investment in Beazer Homes' common stock and in each of the foregoing indices of $100 at September 30, 2005, and assumes that all dividends were reinvested. Stockholder returns over the indicated period are based on historical data and should not be considered indicative of future stockholder returns.



	Fiscal Year Ended September 30,					
	2005	2006	2007	2008	2009	2010
Beazer Homes USA, Inc.	$100.00	$ 67.05	$ 14.48	$ 10.49	$ 9.81	$ 7.25
S&P 500	100.00	110.78	128.98	100.66	93.70	103.24
S&P Homebuilding	100.00	72.44	36.83	31.23	26.17	24.28

Item 6. ***Selected Financial Data***

	Year Ended September 30,				
	2010	2009	2008	2007	2006
	($ in millions, except per share amounts)				
Statement of Operations Data:(i)					
Total revenue	**$1,010**	$ 972	$ 1,737	$2,943	$4,545
Gross profit (loss)	**86**	16	(247)	(89)	1,122
Gross margin(i), (ii)	**8.5%**	1.6%	(14.2)%	(3.0)%	24.7%
Operating (loss) income	**$ (114)**	$ (241)	$ (618)	$ (511)	$ 596
(Loss) income from continuing operations	**(30)**	(176)	(780)	(346)	378
EPS from continuing operations -basic	**(0.50)**	(4.54)	(20.23)	(9.01)	9.48
EPS from continuing operations -diluted	**(0.50)**	(4.54)	(20.23)	(9.01)	8.52
Dividends paid per common share	—	—	—	0.40	0.40
Balance Sheet Data (end of year)(iii):					
Cash and cash equivalents and restricted cash	**$ 576**	$ 557	$ 585	$ 460	$ 172
Inventory	**1,204**	1,318	1,652	2,775	3,608
Total assets	**1,903**	2,029	2,642	3,930	4,715
Total debt	**1,212**	1,509	1,747	1,857	1,956
Stockholders’ equity	**397**	197	375	1,324	1,730

	Year Ended September 30,				
	2010	2009	2008	2007	2006
	($ in millions, except per share amounts)				
Supplemental Financial Data (iii):					
Cash provided by (used in):					
Operating activities	**$ 70**	$ 94	$ 316	$ 509	$ (378)
Investing activities	**(6)**	(80)	(18)	(52)	(105)
Financing activities	**(34)**	(91)	(167)	(171)	353
Financial Statistics (iii):					
Total debt as a percentage of total debt and stockholders' equity	**75.3%**	88.5%	82.3%	58.4%	53.1%
Net debt as a percentage of net debt and stockholders' equity(ii)	**62.9%**	83.6%	75.6%	51.4%	50.9%
Adjusted EBITDA from total operations(iv)	**$ 60.2**	$108.1	$ (27.5)	$235.6	$ 781.6
Operating Statistics from continuing operations:					
New orders, net	**4,122**	4,077	5,158	7,957	11,272
Closings	**4,513**	4,196	6,370	9,766	15,046
Units in backlog	**780**	1,171	1,290	2,502	4,311
Average selling price (in thousands)	**$221.7**	$230.8	$254.3	$289.5	$ 299.9

(i) Statement of operations data is from continuing operations. Gross profit (loss) includes inventory impairments and lot options abandonments of $50.0 million, $95.2 million, $403.4 million, $531.2 million and $28.4 million for the fiscal years ended September 30, 2010, 2009, 2008, 2007 and 2006, respectively. Operating (loss) income also includes goodwill impairments of $0, $16.1 million, $48.1 million, $49.7 million and $0 for the fiscal years ended September 30, 2010, 2009, 2008, 2007 and 2006. The aforementioned charges were primarily related to the deterioration of the homebuilding environment over the past few years. Loss from continuing operations for fiscal 2010 and 2009 also include a gain on extinguishment of debt of $43.9 million, and $144.5 million, respectively.

(ii) Net Debt = Debt less unrestricted cash and cash equivalents; Gross margin = Gross (loss) profit divided by total revenue.

(iii) Discontinued operations were not segregated in the consolidated balance sheets or statements of cash flows.

(iv) A reconciliation of EBIT and Adjusted EBITDA to net (loss) income, the most directly comparable GAAP measure, is provided below for each period presented (*in thousands*):

	Year Ended September 30,				
	2010	2009	2008	2007	2006
Net (loss) income	**$ (34,049)**	$(189,383)	$(951,912)	$(411,073)	$368,836
(Benefit) provision for income taxes	**(133,188)**	(9,076)	84,763	(222,207)	214,421
Interest amortized to home construction and land sales expenses and capitalized interest impaired	**54,556**	58,090	126,057	139,880	95,974
Interest expense not qualified for capitalization	**74,214**	83,030	55,185	—	—
EBIT	**$ (38,467)**	$ (57,339)	$(685,907)	$(493,400)	$679,231

	Year Ended September 30,				
	2010	**2009**	**2008**	**2007**	**2006**
EBIT	**$ (38,467)**	$ (57,339)	$(685,907)	$(493,400)	$679,231
Depreciation and amortization and stock compensation amortization	**24,774**	30,723	40,273	44,743	58,178
Inventory impairments and option contract abandonments	**49,526**	103,751	496,833	599,514	44,175
Goodwill impairment	—	16,143	52,470	52,755	—
Joint venture impairment and abandonment charges	**24,328**	14,793	68,791	31,939	—
Adjusted EBITDA	**$ 60,161**	$108,071	$ (27,540)	$ 235,551	$781,584

EBIT (earnings before interest and taxes) equals net (loss) income before (a) previously capitalized interest amortized to home construction and land sales expenses, capitalized interest impaired and interest expense not qualified for capitalization and (b) income taxes. Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and impairments) is calculated by adding non-cash charges, including depreciation, amortization, inventory impairment and abandonment charges, goodwill impairments and joint venture impairment charges for the period to EBIT. EBIT and Adjusted EBITDA are not GAAP financial measures. EBIT and Adjusted EBITDA should not be considered alternatives to net income determined in accordance with GAAP as an indicator of operating performance, nor an alternative to cash flows from operating activities determined in accordance with GAAP as a measure of liquidity. Because some analysts and companies may not calculate EBIT and Adjusted EBITDA in the same manner as Beazer Homes, the EBIT and Adjusted EBITDA information presented above may not be comparable to similar presentations by others.

The magnitude and volatility of non-cash inventory impairment and abandonment charges, goodwill impairments and joint venture impairment charges for the Company, and for other home builders, have been significant in recent periods and, as such, have made financial analysis of our industry more difficult. Adjusted EBITDA, and other similar presentations by analysts and other companies, is frequently used to assist investors in understanding and comparing the operating characteristics of home building activities by eliminating many of the differences in companies' respective capitalization, tax position and level of impairments. Management believes this non-GAAP measure enables holders of our securities to better understand the cash implications of our operating performance and our ability to service our debt obligations as they currently exist and as additional indebtedness is incurred in the future. The measure is also useful internally, helping management compare operating results and as a measure of the level of cash which may be available for discretionary spending.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Executive Overview and Outlook

The macro-economic conditions experienced during Fiscal 2010 continued to present challenges that have hindered a recovery for the homebuilding industry. Consumers enjoyed record low interest rates for home mortgages and housing affordability along with federal and local government incentives that have attempted to support the housing industry. These factors provided significant support to the industry during our second and third fiscal quarters as we experienced significant increases in new home orders. However, this elevated volume of home purchases was not sustained upon the expiration of the government incentives. Continued high unemployment levels have caused high levels of uncertainty among employers and consumers concerning the health of the overall economy. This uncertainty led to a decline in home orders during our fourth fiscal quarter that has continued into the first quarter of fiscal 2011. The current homebuilding environment is also challenged by increased numbers of foreclosed homes offered at substantially reduced prices. These combined pressures in the marketplace have resulted in the continued use of sales incentives and price reductions by us and many of our competitors in an effort to generate sales and reduce inventory levels. As a result, we continued to experience inventory valuation adjustments throughout fiscal 2010. Despite these challenges, we were able to produce improvements in new home orders, home closings, gross margins and profitability in fiscal 2010 as compared to fiscal 2009.

During fiscal 2010, we continued to improve our capitalization while maintaining our three primary goals: generate and maintain liquidity, reduce debt and increase shareholder net worth. We raised $166.7 million of common equity capital, $128.2 million of equity linked capital (Mandatory Convertible Subordinated Notes and Tangible Equity Units) and $300 million Senior Notes while repaying $585.4 million of our Senior Notes.

In fiscal 2010, we recognized a tax benefit from total operations of $133.2 million primarily resulting from *The Worker, Homeownership and Business Act of* 2009 which allowed us to carry back a portion of our fiscal 2009 federal tax loss. This carry back claim allowed us to claim a refund of taxes paid in prior years and to monetize a deferred tax asset that had previously had a valuation allowance recorded against it. The total amount of income tax refunds we received in fiscal 2010 was $135.8 million.

Throughout the homebuilding recession we have remained disciplined in our approach to the business. We have continued to reduce direct construction costs, overhead expenses and controlled our land acquisition and development spending. We remain committed to controlling our supply of unsold homes under construction and ensuring that our inventory supply aligns with our current demand expectations. This approach resulted in the closure of several divisional operations during the past several years and resulted in our decision to exit the Jacksonville, Florida and Albuquerque, New Mexico markets during the fourth quarter of fiscal 2010. We expect to continue this disciplined approach to managing our business during these uncertain times as we strive toward returning to profitability.

We will continue to focus on maintaining a significant liquidity position as we selectively invest in the growth of the business. We may also, from time to time, continue to seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or other debt securities, in open market purchases, privately negotiated transactions or otherwise. There can be no assurances that we will be able to complete any of these transactions in the future on favorable terms or at all.

While our visibility into the economic conditions for fiscal 2011 is limited at this time, we believe that we will continue to benefit from increases in housing starts and improvements in employment. Therefore, we believe the environment will improve, perhaps slowly, and we have taken and will continue to take steps necessary to position ourselves to participate in the housing recovery.

We operated Beazer Mortgage Corporation (BMC) from 1998 through February 2008 to offer mortgage financing to the buyers of our homes. BMC entered into various agreements with mortgage investors for the origination of mortgage loans. Underwriting decisions were not made by BMC but by the investors or third-party service providers. To date, we have received requests to repurchase fewer than 100 mortgage loans from various investors. While we have not been required to repurchase any mortgage loans, we have established an immaterial amount as a reserve for the repurchase of mortgage loans originated by BMC. We cannot rule out the potential for additional mortgage loan repurchase claims in the future, although, at this time, we do not believe that the exposure related to any such additional claims would be material to our consolidated financial position or results of operation. As of September 30, 2010, no liability has been recorded for any such additional claims as such exposure is not both probable and reasonably estimable.

Critical Accounting Policies

Some of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters. Although our accounting policies are in compliance with accounting principles generally accepted in the United States of America (GAAP), a change in the facts and circumstances of the underlying transactions could significantly change the application of the accounting policies and the resulting financial statement impact. Listed below are those policies that we believe are critical and require the use of complex judgment in their application.

Inventory Valuation — Held for Development

Our homebuilding inventories that are accounted for as held for development include land and home construction assets grouped together as communities. Homebuilding inventories held for development are stated at cost (including direct construction costs, capitalized indirect costs, capitalized interest and real estate taxes) unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. We assess these assets no less than quarterly for recoverability in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360). Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct and close all the homes in a typical community. However, the impact of the recent downturn in our business has significantly lengthened the estimated life of many communities. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the expected undiscounted cash flows generated are expected to be less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

We conduct a review of the recoverability of our homebuilding inventories held for development at the community level as factors indicate that an impairment may exist. Events and circumstances that might indicate impairment include, but are not limited to, (1) adverse trends in new orders, (2) higher than anticipated cancellations, (3) declining margins, which might result from the need to offer incentives to new homebuyers to drive sales or price reductions to respond to actions taken by our competitors, (4) economic factors specific to the markets in which we operate, including fluctuations in employment levels, population growth, or levels of new and resale homes for sale in the marketplace and (5) a decline in the availability of credit across all industries.

As a result, we evaluate, among other things, the following information for each community:

- Actual “Net Contribution Margin” (defined as homebuilding revenues less homebuilding costs and direct selling expenses) for homes closed in the current fiscal quarter, fiscal year to date and prior two fiscal quarters. Homebuilding costs include land and land development costs (based upon an allocation of such costs, including costs to complete the development, or specific lot costs), home construction costs (including an estimate of costs, if any, to complete home construction), previously capitalized indirect costs (principally for construction supervision), capitalized interest and estimated warranty costs. Direct selling expenses include commissions, closing costs and amortization related to model home furnishings and improvements;
- Projected Net Contribution Margin for homes in backlog;
- Actual and trending new orders and cancellation rates;
- Actual and trending base home sales prices and sales incentives for home sales that occurred in the prior two fiscal quarters that remain in backlog at the end of the fiscal quarter and expected future homes sales prices and sales incentives and absorption over the expected remaining life of the community;
- A comparison of our community to our competition to include, among other things, an analysis of various product offerings including, the size and style of the homes currently offered for sale, community amenity levels, availability of lots in our community and our competition’s, desirability and uniqueness of our community and other market factors; and
- Other events that may indicate that the carrying value may not be recoverable.

In determining the recoverability of the carrying value of the assets of a community that we have evaluated as requiring a test for impairment, significant quantitative and qualitative assumptions are made relative to the future home sales prices, sales incentives, direct and indirect costs of home construction and land development and the pace of new home orders. In addition, these assumptions are dependent upon the specific market conditions and competitive factors for each specific community and may differ greatly between communities within the same market and communities in different markets. Our estimates are made using information available at the date of the recoverability test, however, as facts and circumstances may change in future reporting periods, our estimates of recoverability are subject to change.

For assets in communities for which the undiscounted future cash flows are less than the carrying value, the carrying value of that community is written down to its then estimated fair value based on discounted cash flows. The carrying value of assets in communities that were previously impaired and continue to be classified as held for development is not written up for future estimates of increases in fair value in future reporting periods. Market deterioration that exceeds our estimates may lead us to incur additional impairment charges on previously impaired homebuilding assets in addition to homebuilding assets not currently impaired but for which indicators of impairment may arise if the market continues to deteriorate.

The fair value of the homebuilding inventory held for development is estimated using the present value of the estimated future cash flows using discount rates commensurate with the risk associated with the underlying community assets. The discount rate used may be different for each community. The factors considered when determining an appropriate discount rate for a community include, among others: (1) community specific factors such as the number of lots in the community, the status of land development in the community, the competitive factors influencing the sales performance of the community and (2) overall market factors such as employment levels, consumer confidence and the existing supply of new and used homes for sale. The assumptions used in our discounted cash flow models are specific to each community tested for impairment. Historically, these assumptions did not include market improvements except in limited circumstances in the latter years of long-lived communities. Our assumptions assume limited market improvements in some communities beginning in fiscal 2011 and continuing improvement in these communities in subsequent years. We assumed the remaining communities would have market improvements beginning in fiscal 2012.

For the fiscal year ended September 30, 2010, we used discount rates of 13.7% to 20.0% in our estimated discounted cash flow impairment calculations. During fiscal 2010, 2009 and 2008, we recorded impairments of our inventory of approximately $48.1 million, $78.7 million and $290.7 million, respectively, for land under development and homes under construction for our continuing operations. Impairments of inventory previously held for development related to our discontinued operations were $0.8 million, $1.5 million and $21.9 million for fiscal 2010, 2009 and 2008, respectively.

Due to uncertainties in the estimation process, particularly with respect to projected home sales prices and absorption rates, the timing and amount of the estimated future cash flows and discount rates, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. We calculated the estimated fair values of inventory held for development that were evaluated for impairment based on current market conditions and assumptions made by management relative to future results. Because our projected cash flows are significantly impacted by changes in market conditions, it is reasonably possible that actual results could differ materially from our estimates and result in additional impairments.

Asset Valuation — Land Held for Future Development

For those communities for which construction and development activities are expected to occur in the future or have been idled (land held for future development), all applicable interest and real estate taxes are expensed as incurred and the inventory is stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. The future enactment of a development plan or the occurrence of events and circumstances may indicate that the carrying amount of an asset may not be recoverable. We evaluate the potential development plans of each community in land held for future development if changes in facts and circumstances occur which would give rise to a more detailed analysis for a change in the status of a community to active status or held for development.

Asset Valuation — Land Held for Sale

We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if land is held for sale:

- management has the authority and commits to a plan to sell the land;
- the land is available for immediate sale in its present condition;
- there is an active program to locate a buyer and the plan to sell the property has been initiated;
- the sale of the land is probable within one year;

- the property is being actively marketed at a reasonable sale price relative to its current fair value; and
- it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

Additionally, in certain circumstances, management will re-evaluate the best use of an asset that is currently being accounted for as held for development. In such instances, management will review, among other things, the current and projected competitive circumstances of the community, including the level of supply of new and used inventory, the level of sales absorptions by us and our competition, the level of sales incentives required and the number of owned lots remaining in the community. Based on this review, if the foregoing criteria have been met at the end of the applicable reporting period and we believe that the best use of the asset is the sale of all or a portion of the asset in its current condition, then all or portions of the community are accounted for as held for sale.

In determining the fair value of the assets less cost to sell, we considered factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals, any recent legitimate offers, and listing prices of similar properties. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell. During fiscal 2010, 2009 and 2008, we recorded inventory impairments on land held for sale by our continuing operations of $1.1 million, $12.5 million and $61.2 million, respectively. Land held for sale inventory impairments related to our discontinued operations totaled $1.0 million, $9.4 million and $55.6 million for fiscal 2010, 2009 and 2008, respectively.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about land sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We calculated the estimated fair values of land held for sale based on current market conditions and assumptions made by management, which may differ materially from actual results and may result in additional impairments if market conditions continue to deteriorate.

Homebuilding Revenues and Costs

Revenue from the sale of a home is generally recognized when the closing has occurred and the risk of ownership is transferred to the buyer. As appropriate, revenue for condominiums under construction is recognized based on the percentage-of-completion method in accordance with SFAS 66, *Accounting for Sales of Real Estate* (ASC 360), when certain criteria are met. All associated homebuilding costs are charged to cost of sales in the period when the revenues from home closings are recognized. Homebuilding costs include land and land development costs (based upon an allocation of such costs, including costs to complete the development, or specific lot costs), home construction costs (including an estimate of costs, if any, to complete home construction), previously capitalized indirect costs (principally for construction supervision), capitalized interest and estimated warranty costs. Sales commissions are included in selling, general and administrative expense when the closing has occurred. All other costs are expensed as incurred.

Warranty Reserves

We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined performance quality standards. In addition, we provide a limited warranty (generally ranging from a minimum of five years up to the period covered by the applicable statute of repose) covering only certain defined construction defects. We also provide a defined structural warranty with single-family homes and townhomes in certain states.

Since we subcontract our homebuilding work to subcontractors whose contracts generally include an indemnity obligation and a requirement that certain minimum insurance requirements be met, including providing us with a certificate of insurance prior to receiving payments for their work, claims relating to workmanship and materials are generally the primary responsibility of our subcontractors.

Warranty reserves are included in other liabilities in the consolidated balance sheets. We record reserves covering our anticipated warranty expense for each home closed. Management reviews the adequacy of warranty reserves each reporting period, based on historical experience and management's estimate of the costs to remediate the claims, and adjusts these provisions accordingly. Our review includes a quarterly analysis of the historical data and trends in warranty expense by operating segment. An analysis by operating segment allows us to consider market specific factors such as our warranty experience, the number of home closings, the prices of homes, product mix and other data in estimating our warranty reserves. In addition, our analysis also contemplates the existence of any non-recurring or community-specific warranty related matters that might not be contemplated in our historical data and trends. As a result of our analyses, we adjust our estimated warranty liabilities. Based on historical results, we believe that our existing estimation process is accurate and do not anticipate the process to materially change in the future. Our estimation process for such accruals is discussed in Note 13 to the Consolidated Financial Statements. While we believe that our warranty reserves at September 30, 2010 are adequate, there can be no assurances that historical data and trends will accurately predict our actual warranty costs or that future developments might not lead to a significant change in the reserve.

Investments in Unconsolidated Joint Ventures

We periodically enter into joint ventures with unrelated developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture's members and other third parties. We have determined that our interest in these joint ventures should be accounted for under the equity method. We recognize our share of profits and losses from the sale of lots to other buyers. Our share of profits from lots purchased by Beazer Homes from the joint ventures are deferred and treated as a reduction of the cost of the land purchased from the joint venture. Such profits are subsequently recognized at the time the home closes and title passes to the homebuyer.

We evaluate our investments in unconsolidated entities for impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in the value of our investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying value over its estimated fair value.

Our assumption of the joint venture's estimated fair value is dependent on market conditions. Inventory in the joint venture is also reviewed for potential impairment by the unconsolidated entities. If a valuation adjustment is recorded by an unconsolidated entity, our proportionate share of it is reflected in our equity in income (loss) from unconsolidated joint ventures with a corresponding decrease to our investment in unconsolidated entities. The operating results of the unconsolidated joint ventures are dependent on the status of the homebuilding industry, which has historically been cyclical and sensitive to changes in economic conditions such as interest rates, credit availability, unemployment levels and consumer sentiment. Changes in these economic conditions could materially affect the projected operational results of the unconsolidated entities. Because of these changes in economic conditions, actual results could differ materially from management's assumptions and may require material valuation adjustments to our investments in unconsolidated entities to be recorded in the future.

During fiscal 2010, 2009 and 2008, we wrote down our investment in certain of our joint ventures reflecting $8.8 million, $12.6 million and $45.3 million, respectively, of impairments of inventory held within those ventures. These charges are included in equity in loss of unconsolidated joint ventures in the accompanying Statement of Operations for the fiscal years ended September 30, 2010, 2009 and 2008, respectively. In addition, for fiscal 2010, 2009 and 2008, respectively, there were $15.5 million, $2.2 million and $23.5 million of joint venture impairments related to certain homebuilding operations in our discontinued operations and, as a result, have been included in loss from discontinued operations, net in the accompanying Statement of Operations. While we believe that no additional impairment of our unconsolidated joint venture investments existed as of September 30, 2010, market deterioration or changes in estimated future cash flows that exceeds our estimates may lead us to incur additional impairment charges. As of September 30, 2010, our remaining investments in unconsolidated joint ventures totaled $8.7 million.

Income Taxes — Valuation Allowance

Judgment is required in estimating valuation allowances for deferred tax assets. A valuation allowance is established against a deferred tax asset if, based on the available evidence, it is not more likely than not that such assets will be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. We periodically assess the need for valuation allowances for deferred tax assets based on more-likely-than-not realization threshold criteria. In our assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, the Section 382 limitation on our ability to carryforward pre-ownership change net operating losses and recognized built-in losses or deductions, and tax planning alternatives.

Our assessment of the need for the valuation of deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns. We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. Changes in existing tax laws or rates could affect actual tax results and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Our accounting for deferred tax consequences represents our best estimate of future events. Although it is possible there will be changes that are not anticipated in our current estimates, we believe it is unlikely such changes would have a material period-to-period impact on our financial position or results of operations.

During fiscal 2008, we determined that it was not more likely than not that substantially all of our deferred tax assets would be realized and, therefore, we established a valuation allowance of $400.6 million for substantially all of our deferred tax assets. We have not changed our assessment regarding the recoverability of our deferred tax assets as of September 30, 2010 and consequently, we determined that a valuation allowance was still warranted. As of September 30, 2010, our deferred tax valuation allowance was $403.8 million. Management reassesses the realizability of the deferred tax assets each reporting period. To the extent that our results of operations improve and deferred tax assets become realizable, the valuation allowance will be reduced and result in a non-cash tax benefit.

We experienced an “ownership change” as defined in Section 382 of the Internal Revenue Code as of January 12, 2010. Section 382 contains rules that limit the ability of a company that undergoes an “ownership change” to utilize its net operating loss carryforward and certain built-in losses or deductions recognized during the five-year period after the ownership change. Therefore, our ability to utilize our pre-ownership change net operating loss (NOL) carryforwards and certain recognized built-in losses or deductions is limited by Section 382 to an estimated maximum annual amount of approximately $11.4 million ($4 million tax-effected).

There can be no assurance that another ownership change, as defined in the tax law, will not occur. If another “ownership change” occurs, a new annual limitation on the utilization of net operating losses would be determined as of that date.

Seasonal and Quarterly Variability

Our homebuilding operating cycle generally reflects escalating new order activity in the second and third fiscal quarters and increased closings in the third and fourth fiscal quarters. However, beginning in the second half of fiscal 2006 and continuing through fiscal 2010, we continued to experience challenging conditions in most of our markets which contributed to decreased revenues and closings as compared to prior periods including prior quarters, thereby reducing typical seasonal variations. In addition, the expiration of the $8,000 First time Homebuyer Tax Credit on June 30, 2010, appears to have incentivized certain homebuyers to purchase homes during the first half of fiscal 2010. This resulted in a change to our typical seasonal variations as we experienced increased closings in our third quarter as opposed to our fourth quarter of fiscal 2010. The following chart presents certain quarterly operating data for our continuing operations for our last twelve fiscal quarters.

New Orders (net of cancellations)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2010	**710**	**1,629**	**1,005**	**778**	**4,122**
2009	514	1,095	1,488	980	4,077
2008	988	1,662	1,549	959	5,158

Closings

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2010	**935**	**832**	**1,597**	**1,149**	**4,513**
2009	859	785	911	1,641	4,196
2008	1,629	1,233	1,348	2,160	6,370

RESULTS OF CONTINUING OPERATIONS:

	Fiscal Year Ended September 30,		
	2010	2009 ($ in thousands)	2008
Revenues:			
Homebuilding	**$ 1,000,531**	$968,314	$ 1,620,990
Land sales & other	**9,310**	3,389	115,737
Total	**$ 1,009,841**	$971,703	$ 1,736,727
Gross profit (loss)			
Homebuilding	**$ 81,528**	$ 15,134	$ (257,013)
Land sales & other	**4,080**	620	9,570
Total	**$ 85,608**	$ 15,754	$ (247,443)
Gross Margin — homebuilding	**8.1%**	1.6%	(15.9)%
Gross Margin — land sales & other	**43.8%**	18.3%	8.3%
Gross Margin — Total	**8.5%**	1.6%	(14.2)%
Selling, general and administrative (SG&A) expenses	**$ 186,556**	$222,691	$ 298,274
SG&A as a% of total revenue	**18.5%**	22.9%	17.2%
Depreciation and amortization	**$ 12,874**	$ 18,392	$ 23,802
Goodwill impairment	**$ —**	$ 16,143	$ 48,105
Equity in income (loss) of unconsolidated joint ventures from:			
Joint venture activities	**$ 10**	$ 518	$ (12,527)
Impairments	**$ (8,817)**	$ (12,630)	$ (45,292)
Equity in loss of unconsolidated joint ventures	**$ (8,807)**	$ (12,112)	$ (57,819)
Gain on extinguishment of debt	**$ 43,901**	$144,503	$ —

Items impacting comparability between periods

The following items impact the comparability of our results of operations between fiscal periods 2010, 2009 and 2008: inventory impairments and abandonments, certain selling, general and administrative costs, goodwill impairment charges, joint venture impairment charges, and gain on extinguishment of debt. In addition, during fiscal 2010, we exited or discontinued our title services operations and our New Mexico and Jacksonville, Florida markets and have reclassified the operating results of these operations for all period presented to discontinued operations. We have also reclassified the operating results of our Raleigh market from the East to the Southeast segment in alignment with the basis that is used by management for evaluating segment performance and resource allocations.

Inventory Impairments and Abandonments. The improvement in gross margin over the past two fiscal years was directly related to a reduction in non-cash pre-tax inventory impairments and option contract abandonments from $403.4 million in fiscal 2008 to $95.2 million in fiscal 2009 and $50.0 million in fiscal 2010. The projected cash flows used to evaluate the fair value of inventory are significantly impacted by changes in market conditions including decreased sales prices, the change in sales prices and changes in absorption estimates. The impairments recorded on our held for development inventory for the fiscal years ended September 30, 2009 and 2008, primarily resulted from the continued decline in the homebuilding environment across our submarkets. During fiscal 2010, although certain markets showed improvement from the prior years, for certain communities we determined it was prudent to reduce sales prices or further increase sales incentives in response to factors including competitive market conditions. In future periods, we may again determine that it is prudent to reduce sales prices, further increase sales incentives or reduce absorption rates which may lead to additional impairments, which could be material. Our impairments on land held for sale listed below are as a result of challenging market conditions and our review of recent comparable transactions since land held for sale is recorded at net realizable value, less estimated costs to sell. In addition, over the past few years, we have determined the proper course of action with respect to a number of communities within each homebuilding segment was to abandon the remaining lots under option and to write-off the deposits securing the option takedowns, as well as pre-acquisition costs. The abandonment charges below relate to our decision to abandon certain option contracts that no longer fit in our long-term strategic plan and related to our prior year decision to exit certain markets.

The following tables set forth, by reportable homebuilding segment, the inventory impairments and lot option abandonment charges recorded for the fiscal years ended September 30, 2010, 2009 and 2008 *(in thousands)*:

	Fiscal Year Ended September 30,		
	2010	**2009**	**2008**
Development projects and homes in process (Held for Development)			
West	**$18,056**	$42,704	$145,710
East	**18,703**	6,383	70,152
Southeast	**7,973**	24,536	53,103
Unallocated	**3,404**	5,116	21,769
Subtotal	**$48,136**	$78,739	$290,734
Land Held for Sale			
West	**$ 1,061**	$ 9,357	$ 8,505
East	**—**	1,071	16,883
Southeast	**—**	2,094	35,793
Subtotal	**$ 1,061**	$12,522	$ 61,181
Lot Option Abandonments			
West	**$ 783**	$ 99	$ 14,893
East	**35**	2,884	9,850
Southeast	**21**	972	26,744
Subtotal	**$ 839**	$ 3,955	$ 51,487
Continuing Operations	**$50,036**	$95,216	$403,402

Inventory impairments related to continuing operations recorded on a quarterly basis during fiscal 2010, the estimated fair value of such impaired inventory at each period end, the number of lots and number of communities impaired in each period are set forth in the table below as follows ($ *in thousands*):

Quarter Ended	Inventory Impairments: Held for Development	Inventory Impairments: Held for Sale	Inventory Impairments: Total	Estimated Fair Value of Impaired Inventory at Period End	Lots Impaired	Communities Impaired
December 31, 2009	$ 7,486	$1,061	$ 8,547	$ 13,997	379	7
March 31, 2010	9,976	—	9,976	25,975	525	13
June 30, 2010	4,483	—	4,483	5,427	131	3
September 30, 2010	26,191	—	26,191	29,313	962	8
Fiscal 2010	$ 48,136	$1,061	$49,197			

Selling, General and Administrative Expense Items. Fiscal 2009 included approximately $16 million of expense for obligations related to the government investigations (see Note 13 to the Consolidated Financial Statements). The decrease in SG&A expense for fiscal 2010 as compared to fiscal 2009 is primarily due to continued cost reductions realized as a result of our comprehensive review of SG&A costs and the absence of the previously mentioned $16 million fiscal 2009 expense offset by increased selling expenses related to the increase in home closings.

The 25.3% decrease in SG&A expense between fiscal 2008 and 2009 presented is primarily related to cost reductions realized as a result of our comprehensive review and realignment of our overhead structure in light of our reduced volume expectations and lower sales commissions related to decreased revenues, and decreased investigation-related costs and severance costs offset partially by approximately $16 million of expense for obligations related to the government investigations (see Note 13 to the Consolidated Financial Statements). As of September 30, 2009, we had reduced our overall number of employees by 543 or 38% as compared to September 30, 2008, or a cumulative reduction of 79% since September 30, 2006. Fiscal 2009 and 2008 SG&A expense included $4.5 million and $3.1 million in severance costs related to employees who had been severed as of September 30 of the respective year.

Fiscal 2010, 2009 and 2008 SG&A expense included $10.2 million, $23.8 million and $31.8 million, respectively of government investigation and investigation support-related costs, including the $16 million obligation recorded in fiscal 2009 and discussed above. As a percentage of total revenue, SG&A expenses were 18.5% in fiscal 2010 (17.5% excluding the investigation-related costs), 22.9% in fiscal 2009 (20.5% excluding the investigation-related costs) and 17.2% in fiscal 2008 (15.3% excluding the investigation-related costs). The change in SG&A costs as a percentage of total revenue is primarily related to the aforementioned investigative and severance costs and the impact of fixed overhead expenses on reduced/increased revenues, as applicable.

Goodwill Impairment Charges. The Company experienced a significant decline in its market capitalization during first quarter of fiscal 2009. As of December 31, 2008, we considered current and expected future market conditions and recorded a pre-tax, non-cash goodwill impairment charge of $16.1 million in the first quarter of fiscal 2009 related to our reporting units in Maryland, Houston, Texas and Nashville, Tennessee. As a result of this impairment charge, we have no goodwill remaining as of September 30, 2009 or 2010. In fiscal 2008, in light of continuing market weakness, significantly reduced new orders, additional pricing pressures and additional incentives provided to homebuyers, our reforecasting of expected future results of operations and increasing inventory charges, we recorded pretax, non-cash goodwill impairment charges of $48.1 million related to our reporting units in Arizona, New Jersey, Southern California and Virginia. The goodwill impairment charges were based on estimates of the fair value of the underlying assets of the reporting units.

Joint Venture Impairment Charges. As a result of the further deterioration of economic conditions in certain of our markets and the settlement of guarantees under debt obligations of certain of our unconsolidated joint ventures, we recorded impairments in certain of our unconsolidated joint ventures totaling $8.8 million, $12.6 million and $45.3 million in fiscal 2010, 2009 and 2008, respectively (see Note 3 to the Consolidated Financial Statements where further discussed). If these adverse market conditions continue or worsen, we may have to take further impairments of our investments in these joint ventures that may have a material adverse effect on our financial position and results of operations.

Gain on Extinguishment of Debt. During fiscal 2010, we completed a number of financial transactions including the repurchase of an aggregate of $585.4 million of our outstanding Senior Notes for an aggregate purchase price of $586.3 million, plus accrued and unpaid interest as of the purchase date. We also completed an exchange of $75 million of our outstanding junior unsecured notes. These transactions resulted in a gain on extinguishment of debt of $43.9 million, net of unamortized discounts and debt issuance costs related to these notes. During the second half of fiscal 2009, we voluntarily repurchased in open-market transactions $384.8 million principal amount of our Senior Notes. The aggregate purchase price was $247.7 million, plus accrued and unpaid interest as of the purchase date, which resulted in a $130.2 million pre-tax gain on extinguishment of debt, net of unamortized discounts and debt issuance costs related to these notes. During fiscal 2009, we also negotiated a reduced payoff for one of our other secured notes payable totaling $22.7 million and recorded a gain on debt extinguishment of $14.3 million related to the repayment of this note.

Discontinued Operations. We have classified the results of operations of our mortgage origination services, title services and our exit markets as discontinued operations in the accompanying consolidated statements of operations for all periods presented. All statement of operations information in the table above and the management discussion and analysis that follow exclude the results of discontinued operations. Discontinued operations were not segregated in the Consolidated Statements of Cash Flows or the Consolidated Balance Sheets. Additional operating data related to discontinued operations for the fiscal years ended September 30, 2010, 2009 and 2008 is as follows:

	Fiscal Year Ended September 30,		
	2010	**2009** ($ in thousands)	**2008**
Closings	**132**	192	1,322
New Orders	**126**	146	907
Homebuilding revenues	**$28,029**	$46,609	$293,314
Land and lot sale revenues	**$ 3,277**	$ 3,077	$ 40,064
Mortgage & title revenues	**$ 1,861**	$ 1,813	$ 7,675
Total revenue	**$33,167**	$51,499	$341,053

See Note 15 to the Consolidated Financial Statements for additional information related to our discontinued operations.

Segment Results — Continuing Operations

Unit Data by Segment

	New Orders, net					Cancellation Rates		
	2010	**2009**	**2008**	**10 v 09**	**09 v 08**	**2010**	**2009**	**2008**
West	**1,615**	1,793	2,449	**(9.9)%**	(26.8)%	**29.5%**	35.3%	41.1%
East	**1,563**	1,509	1,337	**3.6%**	12.9%	**25.3%**	30.1%	48.2%
Southeast	**944**	775	1,372	**21.8%**	(43.5)%	**18.1%**	24.1%	27.2%
Total	**4,122**	4,077	5,158	**1.1%**	(21.0)%	**25.5%**	31.5%	40.2%

	Backlog at September 30,				
	2010	**2009**	**2008**	**10 v 09**	**09 v 08**
Units:					
West	**269**	431	521	**(37.6)%**	(17.3)%
East	**366**	532	455	**(31.2)%**	16.9%
Southeast	**145**	208	314	**(30.3)%**	(33.8)%
Total	**780**	1,171	1,290	**(33.4)%**	(9.2)%
Aggregated $ value of homes in backlog:					
Total ($ in millions)	**$186.2**	$275.3	$315.3	**(32.4)%**	(12.7)%

Backlog reflects the number and value of homes for which the Company has entered into a sales contract with a customer but has not yet delivered the home.

Fiscal 2010 versus 2009

New orders, net of cancellations, for fiscal 2010 increased slightly compared to fiscal 2009 in many of our markets driven by increased demand due to federal and state housing credits which expired in June 2010 and decreased cancellation rates. The decrease in net new orders in our West segment was primarily due to continued challenging market conditions which were particularly pronounced in our California markets. Historically low interest rates, increased affordability and federal and state housing tax credits appear to have enticed more prospective buyers to purchase a new home; however, foreclosures are having a damaging impact on the market. In most of our markets, appraisals continue to be negatively impacted by foreclosure comparables which put additional pricing pressures on all home sales and limit financing availability. The decrease in our cancellation rates reflects the market improvement and relative price stabilization as compared to the prior years. It also reflects the impact of historically low interest rates and increased affordability and the impact of federal and state housing tax credits that enticed certain prospective buyers to purchase a new home during fiscal 2010.

The decrease in total units in backlog and the aggregate dollar value of homes in backlog for our continuing operations at September 30, 2010 compared to the prior year, related partially to the acceleration of closings into our third fiscal quarter driven by the federal and state housing credits which expired in June 2010. As the availability of mortgage loans further stabilizes, the inventory of new and used homes decreases, and consumer confidence in the economic recovery increases, backlog should increase; however, continued reduced levels of backlog will produce less revenue in the future which could also result in additional asset impairment charges and lower levels of liquidity.

Fiscal 2009 versus 2008

New orders, net for fiscal 2009 decreased as compared to the same period fiscal 2008 driven by weaker market conditions, including the tightening of mortgage credit availability, an increase in home foreclosures and other economic factors that have impacted homebuyers. For fiscal 2009, we experienced cancellation rates of 31.5% compared to 40.2% for fiscal 2008. These cancellation rates in both fiscal 2009 and 2008 reflect the continued challenging market environment which includes the inability of many potential homebuyers to sell their existing homes and obtain affordable financing. In addition, on July 1, 2008, we completed the sale of two large condominium projects in Virginia, which resulted in the cancellation of 215 orders for fiscal 2008, and the significant increase in the cancellation rate for our East segment. Excluding these transactions, our cancellation rates in the East Segment and total continuing operations were 39.9% and 37.7%, respectively, for fiscal 2008. The decrease in cancellation rates across all markets reflects competitive pricing and a trend in the current environment that buyers are only willing to contract on a new home once their current home sells.

The aggregate dollar value of homes in backlog for our continuing operations at September 30, 2009 decreased 12.7% from the prior year, related to a decrease in the number of homes in backlog. The decrease in the number of homes in backlog across our West and Southeast markets is driven primarily by the aforementioned market weakness and lower new orders.

Backlog declined in many of our homebuilding markets from fiscal 2009 to 2008 due primarily to lower new orders caused by a competitive environment, increased foreclosures, the reduction in the availability of mortgage credit for our potential homebuyers and our decision to sell certain large projects. Foreclosures had by far the most damaging impact on the market during this period. Particularly in our Southeast and Nevada markets, appraisals were negatively impacted by foreclosure comparables which put additional pricing pressure on all home sales and limit financing availability.

Homebuilding Revenues and Average Selling Price. The table below summarizes homebuilding revenues, the average selling prices of our homes and closings by reportable segment (*$ in thousands*):

	Homebuilding Revenues					Average Selling Price				
	2010	2009	2008	10 v 09	09 v 08	2010	2009	2008	10 v 09	09 v 08
West	**$ 360,756**	$407,639	$ 651,268	**(11.5)%**	(37.4)%	**$203.0**	$216.5	$241.9	**(6.2)%**	(10.5)%
East	**446,862**	373,498	614,408	**19.6%**	(39.2)%	**258.5**	260.8	287.6	**(0.9)%**	(9.3)%
Southeast	**192,913**	187,177	355,314	**3.1%**	(47.3)%	**191.6**	212.5	229.8	**(9.8)%**	(7.5)%
Total	**$1,000,531**	$968,314	$1,620,990	**3.3%**	(40.3)%	**$221.7**	$230.8	$254.3	**(3.9)%**	(9.2)%

	Closings				
	2010	2009	2008	10 v 09	09 v 08
West	**1,777**	1,883	2,688	**(5.6)%**	(29.9)%
East	**1,729**	1,432	2,136	**20.7%**	(33.0)%
Southeast	**1,007**	881	1,546	**14.3%**	(43.0)%
Total	**4,513**	4,196	6,370	**7.6%**	(34.1)%

Fiscal 2010 versus 2009

Homebuilding revenues increased slightly for the fiscal year ended September 30, 2010 compared to the comparable period of the prior year due to an increase in closings. This year-over year increase in closings was offset partially by a decrease in average selling prices (ASP). The reduction in ASP was primarily attributable to a substantial geographic shift in closings to those markets with the lowest ASP and a higher concentration of entry-level homebuyers. In addition, foreclosures continue to pose problems in many of our markets manifesting in lower appraisals which put additional pricing pressure on all homes for sale. As a result, we reduced sales prices in many of our markets during fiscal 2010 in order to respond to these market conditions. Historically low interest rates, increased affordability and federal and state housing tax credits incented more prospective buyers to purchase a new home and contributed to the significant increase in our closings for the fiscal year ended September 30, 2010.

Homebuilding revenues in our West segment decreased 11.5% for the fiscal year ended September 30, 2010 compared to the same period of fiscal 2009 driven by a 5.6% decrease in homes closed and a 6.2% decrease in ASP. The decrease in ASP in our West segment for fiscal 2010 resulted primarily from a significant increase in the sale of entry level homes to first time homebuyers in all of our markets, a reduction in the amount of options and upgrades ordered along with select price declines in markets where conditions, such as a high levels of foreclosures and unemployment necessitated slightly lower home prices.

For the fiscal year ended September 30, 2010, our East segment homebuilding revenues increased by 19.6% driven by increased closings across all of our markets in this segment.

Our Southeast segment continued to be challenged by excess capacity in both the new home and resale markets and the high number of foreclosures, driving decreases in ASP of 9.8% for the fiscal year ended September 30, 2010 as compared to the prior year. In addition, the homes closed during the fiscal year in many of our markets were more heavily weighted toward the entry level buyer than in the prior year.

Fiscal 2009 versus 2008

Homebuilding revenues decreased for the fiscal year ended September 30, 2009 compared to fiscal 2008 due to decreased closings in the majority of our markets, related to reduced demand, excess capacity in both new and resale markets (including increased foreclosures available at lower prices) as investors continued to divest of prior home purchases and potential homebuyers had difficulty selling their homes and/or obtaining financing. In addition, credit tightening in the mortgage markets, increased unemployment and a decline in consumer confidence in the majority of our markets further compounded the market pressures during the fiscal year 2009.

Specifically, homebuilding revenues in the West segment decreased for fiscal 2009 compared to fiscal 2008 due to reduced ASP and reduced demand in the majority of the markets in this segment resulting from deteriorating market conditions and excess capacity in both the new home and resale markets. In addition, credit tightening in the mortgage markets and a decline in consumer confidence in all of our markets further compounded the market deterioration in our Nevada, California, Texas and Arizona markets in our West segment in fiscal 2009.

For the fiscal year ended September 30, 2009, our East segment homebuilding revenues decreased by 39.2% driven by a 33.0% decline in closings and a 9.3% decline in average sales prices which was particularly pronounced in our Maryland, New Jersey, Tennessee and Virginia markets. These declines reflect the impact of excess capacity in the resale markets, the impact of credit tightening in the mortgage markets, competitive pricing pressures and a decline in consumer confidence.

Our Southeast segment continued to be challenged by significant declines in demand and excess capacity in both the new home and resale markets and high foreclosures, especially in our Georgia and Florida markets, driving decreases in homebuilding revenues of 47.3% for fiscal 2009 as compared to fiscal 2008. Home closings in the Southeast segment decreased by 43.0% from the prior year due to deteriorating market conditions and competitive pressures. The decrease in closings was driven by lower demand, higher available supply of new and resale inventory, increased competition and the tightening of credit requirements and decreased availability of mortgage options for potential homebuyers.

Homebuilding Gross Profit (Loss). Homebuilding gross profit (loss) is defined as homebuilding revenues less home cost of sales (which includes land and land development costs, home construction costs, capitalized interest, indirect costs of construction, estimated warranty costs, closing costs and inventory impairment and lot option abandonment charges). Corporate and unallocated costs include the amortization of capitalized interest and indirect construction costs. The following table sets forth our homebuilding gross profit (loss) and gross margin by reportable segment and total homebuilding gross profit (loss) and gross margin, and such amounts excluding inventory impairments and abandonments for the fiscal years ended September 30, 2010, 2009 and 2008 ($ *in thousands*). Total homebuilding gross profit (loss) and gross margin excluding inventory impairments and abandonments are not GAAP financial measures. These measures should not be considered alternatives to homebuilding gross profit (loss) determined in accordance with GAAP as an indicator of operating performance. The magnitude and volatility of non-cash inventory impairment and abandonment charges for the Company, and for other home builders, have been significant in recent periods and, as such, have made financial analysis of our industry more difficult. Homebuilding metrics excluding these charges, and other similar presentations by analysts and other companies, is frequently used to assist investors in understanding and comparing the operating characteristics of home building activities by eliminating many of the differences in companies' respective level of impairments. Management believes these non-GAAP measures enable holders of our securities to better understand the cash implications of our operating performance and our ability to service our debt obligations as they currently exist and as additional indebtedness is incurred in the future. These measures are also useful internally, helping management compare operating results and as a measure of the level of cash which may be available for discretionary spending.

	2010				
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit (Loss) w/o I&A	HB Gross Margin w/o I&A
West	$ 52,621	14.6%	$ 19,900	$ 72,521	20.1%
East	54,176	12.1%	18,738	72,914	16.3%
Southeast	20,519	10.6%	7,994	28,513	14.8%
Corporate & unallocated	(45,788)		3,404	(42,384)	
Total homebuilding	$ 81,528	8.1%	$ 50,036	$ 131,564	13.1%

	2009				
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit (Loss) w/o I&A	HB Gross Margin w/o I&A
West	$ 28,566	7.0%	$ 52,160	$ 80,726	19.8%
East	45,681	12.2%	10,338	56,019	15.0%
Southeast	(1,811)	(1.0)%	27,602	25,791	13.8%
Corporate & unallocated	(57,302)		5,116	(52,186)	
Total homebuilding	$ 15,134	1.6%	$ 95,216	$ 110,350	11.4%

	2008				
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit (Loss) w/o I&A	HB Gross Margin w/o I&A
West	$ (58,187)	(8.9)%	$ 169,108	$ 110,921	17.0%
East	6,086	1.0%	96,885	102,971	16.8%
Southeast	(60,470)	(17.0)%	115,640	55,170	15.5%
Corporate & unallocated	(144,442)		21,769	(122,673)	
Total homebuilding	$ (257,013)	(15.9)%	$ 403,402	$ 146,389	9.0%

Fiscal 2010 versus 2009

For the fiscal year ended September 30, 2010 as compared to the prior year, the increase in gross margins across all segments is primarily due to increased revenues, cost reductions and lower inventory impairments and lot option abandonment charges. Our segments realized a nominal increase in gross margins excluding impairments as prices have begun to stabilize in certain of our markets and we benefitted from cost reductions. A few of our markets experienced a decrease in gross margins excluding inventory impairments for the fiscal year ended September 30, 2010 as compared to the prior year due to our decision to reduce prices in certain of our communities in order to compete with similar product for sale in the locale and to increase the frequency of new home orders.

Fiscal 2009 versus 2008

The increase in homebuilding gross margins across all segments is primarily due to decreases in corporate costs and inventory impairments and lot option abandonment charges (impairments and abandonments). Excluding impairments and abandonments, homebuilding gross margins increased slightly in our West segment due to continued focus on cost reduction initiatives; whereas they decreased in our East and Southeast segments which continued to be challenged by the further deterioration of market conditions and an increased use of incentives. The decrease in corporate and unallocated costs relates primarily to 1) a reduction of approximately $8 million in investigation-related costs given the resolution of the previously disclosed investigations despite $16 million of expense related to our obligations under the Deferred Prosecution Agreement (see Note 13 to the Consolidated Financial Statements), 2) a reduction of $57.5 million in the amortization of capitalized interest costs due to a lower capitalizable inventory base and an increase in disallowed interest for capitalization which is recorded as other expense, net in the accompanying Consolidated Statements of Operations, and 3) a reduction of $16.7 million in expenses related to the impairment of capitalized interest and indirect costs in connection with the reduced level of inventory impairments in fiscal 2009 compared to fiscal 2008.

Land Sales and Other Revenues. Land sales and other revenues relate to land and lots sold that did not fit within our homebuilding programs and strategic plans in these markets and net fees we received for general contractor services we performed on behalf of a third party. The table below summarizes land sales and other revenues and gross profit (loss) by reportable segment ($ *in thousands*):

	Land Sales & Other Revenues					Land Sales and Other Gross Profit (Loss)				
	2010	2009	2008	10 v 09	09 v 08	2010	2009	2008	10 v 09	09 v 08
West	**$ 3,774**	$ 1,529	$ 5,203	**146.8%**	(70.6)%	**$ 424**	$ (1)	$ 2,139	**n/m**	(100.0)%
East	**4,300**	1,120	107,024	**283.9%**	(99.0)%	**2,421**	562	7,349	**330.8%**	(92.4)%
Southeast	**1,236**	740	3,510	**67.0%**	(78.9)%	**1,235**	59	82	**n/m**	(28.0)%
Total	**$ 9,310**	$ 3,389	$ 115,737	**174.7%**	(97.1)%	**$ 4,080**	$ 620	$ 9,570	**558.1%**	(93.5)%

Fiscal 2010 versus 2009

The increase in land sales and other revenue and gross profit in fiscal 2010 from fiscal 2009 relates to our ability to dispose of land and lots that did not fit into our strategic plans. Our fiscal 2010 land sales and other revenue and gross profit in our Southeast segment also include net fees received for general contractor services we performed on behalf of a third party.

Fiscal 2009 versus 2008

The decrease in land sales revenue and gross profit in our East segment from fiscal 2008 is primarily related to the 2008 sale of two condominium projects in Virginia.

Derivative Instruments and Hedging Activities. We are exposed to fluctuations in interest rates. From time to time, we enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. As of September 30, 2010, we were not a party to any such derivative agreements. We do not enter into or hold derivatives for trading or speculative purposes.

Liquidity and Capital Resources. Our sources of liquidity include, but are not limited to, cash from operations, proceeds from Senior Notes and other bank borrowings, the issuance of equity and equity-linked securities and other external sources of funds. Our short-term and long-term liquidity depend primarily upon our level of net income, working capital management (cash, accounts receivable, accounts payable and other liabilities) and available credit facilities.

During the fiscal year ended September 30, 2010, we generated $29.8 million in cash primarily from our operations. Our liquidity position consisted of $537.1 million in cash and cash equivalents plus $39.2 million of restricted cash as of September 30, 2010. We expect to maintain a significant liquidity position during fiscal 2011, subject to changes in market conditions that would alter our expectations for land and land development expenditures or capital market conditions which could increase or decrease our cash balance on a quarterly basis.

Our net cash provided by operating activities for the fiscal year ended September 30, 2010 was $69.7 million primarily due to reductions in inventory due to increased closings and timing of strategic land purchases. Net cash used in investing activities was $6.2 million for the fiscal year ended September 30, 2010 compared to $79.7 million and $18.4 million for the fiscal years ended September 30, 2009 and 2008, respectively. For the fiscal year ended September 30, 2010 our use of cash was primarily related to investments in our property, plant and equipment and joint ventures, $3.9 million of which was used by one joint venture to repay outstanding debt, offset by a net reduction in our restricted cash of $10.3 million.

Net cash used in financing activities was $33.7 million for fiscal year ended September 30, 2010 as compared to $91.1 million for fiscal 2009 and $167.2 million in fiscal 2008. During fiscal 2010, we completed a $57.5 million Mandatory Convertible Subordinated Notes offering, two common stock offerings totaling 34,925,000 total shares, a $300 million senior unsecured debt offering and an offering of 3 million 7.25% Tangible Equity Units. The net proceeds from these offerings were used to repay our outstanding 2011 Senior Notes, 2012 Senior Notes and our 2024 Convertible Senior Notes.

As a result of our 2011 and 2012 Senior Notes and 2024 Convertible Senior Notes repayments, our next scheduled debt payment is not until November 2013. In addition, on January 15, 2010, we completed a partial exchange of $75 million of our outstanding Junior Subordinated Notes. We recorded a net gain of approximately

$43.9 million during fiscal year ended September 30, 2010 primarily related to the exchange of our Junior Subordinated Notes (see Note 7 to the Consolidated Financial Statements where further discussed).

During our fiscal 2010, we received upgrades from S&P in our corporate credit rating to B-. Also during the fiscal year, Moody's raised its corporate credit rating of the Company to Caa1 and Fitch raised its corporate credit rating of the Company to B-. These ratings and our current credit condition affect, among other things, our ability to access new capital. Negative changes to these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. Our credit ratings could be lowered or rating agencies could issue adverse commentaries in the future, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. In particular, a weakening of our financial condition, including any further increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, result in a credit rating downgrade or change in outlook, or otherwise increase our cost of borrowing.

We fulfill our short-term cash requirements with cash generated from our operations. There were no amounts outstanding under the Secured Revolving Credit Facility at September 30, 2010; however, $37.9 million is currently used for letters of credit. We have entered into a number of stand-alone, cash secured letter of credit agreements with banks. These facilities will continue to provide for future working capital and letter of credit needs collateralized by either cash or assets of the Company at our option, based on certain conditions and covenant compliance. As of September 30, 2010, we have secured our letters of credit under these facilities using cash collateral which is maintained in restricted accounts totaling $38.8 million. In addition, we have elected to pledge approximately $925 million of inventory assets to our revolving credit facility. We believe that cash and cash equivalents at September 30, 2010 of $537.1 million, cash generated from our operations and the availability of new debt and equity financing, if any, will be adequate to meet our liquidity needs during fiscal 2011.

In addition to our continued focus on generation and preservation of cash, we are also focused on increasing our stockholders' equity and reducing our leverage. In fiscal 2010, we raised $166.7 million of common equity capital, $128.2 million of equity linked capital (Mandatory Convertible Subordinated Notes and Tangible Equity Units) and $300 million Senior Notes while repaying $585.4 million of our Senior Notes. In addition, we restructured $75 million of our subordinated indebtedness due 2036. In addition, we received federal income tax refunds totaling $133 million.

We may also determine in the future that we need to issue additional new common or preferred equity. Any new issuance may take the form of public or private offerings for cash, equity issued to consummate acquisitions of assets or equity issued in exchange for a portion of our outstanding debt. We may also from time to time seek to continue to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or other debt securities, in open market purchases, privately negotiated transactions or otherwise. In addition, any material variance from our projected operating results or land investments, or investments in or acquisitions of businesses, or amounts paid to fulfill obligations with governmental entities, could require us to obtain additional equity or debt financing. Any such equity transactions or debt financing may be on terms less favorable or at higher costs than our current financing sources, depending on future market conditions and other factors including any possible downgrades in our credit ratings or adverse commentaries issued by rating agencies in the future. Also, there can be no assurance that we will be able to complete any of these transactions in the future on favorable terms or at all.

Stock Repurchases and Dividends Paid — The Company did not repurchase any shares in the open market during fiscal 2010, 2009 or 2008. Any future stock repurchases as allowed by our debt covenants must be approved by the Company's Board of Directors or its Finance Committee.

On November 2, 2007, our Board of Directors suspended payment of quarterly dividends. The Board concluded that suspending dividends, which will allow us to conserve approximately $16 million of cash annually, was a prudent effort in light of the continued deterioration of the housing market. In addition, the indentures under which our Senior Notes were issued contain certain restrictive covenants, including limitations on the payment of dividends. At September 30, 2010, under the most restrictive covenants of each indenture, none of our retained earnings was available for cash dividends. Hence, there were no dividends paid in fiscal 2010, 2009 or 2008.

Off-Balance Sheet Arrangements and Aggregate Contractual Commitments. At September 30, 2010, we controlled 28,996 lots (a 6-year supply based on fiscal 2010 closings). We owned 80%, or 23,176 lots, and 5,820 lots, 20%, were under option contracts which generally require the payment of cash or the posting of a letter of credit for the right to acquire lots during a specified period of time at a certain price. We historically have attempted to control a portion of our land supply through options. As a result of the flexibility that these options provide us, upon a change in market conditions we may renegotiate the terms of the options prior to exercise or terminate the agreement. Under option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers and our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately $38.7 million at September 30, 2010. This amount includes non-refundable letters of credit of approximately $3.7 million. The total remaining purchase price, net of cash deposits, committed under all options was $221.3 million as of September 30, 2010. When market conditions improve, we may expand our use of option agreements to supplement our owned inventory supply.

We expect to exercise, subject to market conditions, most of our option contracts. Various factors, some of which are beyond our control, such as market conditions, weather conditions and the timing of the completion of development activities, will have a significant impact on the timing of option exercises or whether land options will be exercised.

We have historically funded the exercise of land options through a combination of operating cash flows. We expect these sources to continue to be adequate to fund anticipated future option exercises. Therefore, we do not anticipate that the exercise of our land options will have a material adverse effect on our liquidity.

We participate in a number of land development joint ventures in which we have less than a controlling interest. We enter into joint ventures in order to acquire attractive land positions, to manage our risk profile and to leverage our capital base. Our joint ventures are typically entered into with developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture's members and other third parties. We account for our interest in these joint ventures under the equity method. Our consolidated balance sheets include investments in joint ventures totaling $8.7 million and $30.1 million at September 30, 2010 and 2009, respectively.

Our joint ventures typically obtain secured acquisition and development financing. At September 30, 2010, our unconsolidated joint ventures had borrowings outstanding totaling $394.3 million, of which $327.9 million related to one joint venture in which we are a 2.58% partner. Generally, we and our joint venture partners have provided varying levels of guarantees of debt or other obligations of our unconsolidated joint ventures. At September 30, 2010, we had repayment guarantees of $15.8 million. One of our unconsolidated joint ventures, in which we have a 2.58% interest, is in default under its debt agreement at September 30, 2010. To the extent that we are unable to reach satisfactory resolutions, we may be called upon to perform under our applicable guarantees. See Note 3 to the Consolidated Financial Statements.

The following summarizes our aggregate contractual commitments at September 30, 2010 (*in thousands*):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Senior Notes, Senior Secured Notes & other notes payable	$1,230,968	$ 9,307	$ 15,204	$374,575	$ 831,882
Interest commitments under Senior Notes, Senior Secured Notes & other notes payable(1)	787,310	104,400	197,660	181,540	303,710
Obligations related to lots under option	221,341	77,189	88,385	29,614	26,153
Operating leases	24,683	7,534	11,792	4,104	1,253
Uncertain tax positions(2)	—	—	—	—	—
Total	$2,264,302	$198,430	$313,041	$589,833	$1,162,998

(1) Interest on variable rate obligations is based on rates effective as of September 30, 2010.

(2) Due to the uncertainty of the timing of settlement with taxing authorities, the Company is unable to make reasonably reliable estimates of the period of cash settlement of unrecognized tax benefits related to uncertain

tax positions. See Note 9 to Consolidated Financial Statements for additional information regarding the Company's unrecognized tax benefits as of September 30, 2010.

We had outstanding performance bonds of approximately $184.7 million, at September 30, 2010 related principally to our obligations to local governments to construct roads and other improvements in various developments.

Recently Adopted Accounting Pronouncements. In September 2006, the FASB issued SFAS 157, *Fair Value Measurements (ASC 820)*. SFAS 157 (ASC 820) provides guidance for using fair value to measure assets and liabilities. SFAS 157 (ASC 820) applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS 157 (ASC 820) includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157 (ASC 820)*, delaying the effective date of certain non-financial assets and liabilities to fiscal periods beginning after November 15, 2008. The company adopted SFAS 157 (ASC 820) on October 1, 2009 as discussed in Note 8.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (ASC 825). SFAS 159 (ASC 825) permits companies to measure certain financial instruments and other items at fair value. We have not elected the fair value option applicable under SFAS 159 (ASC 825).

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations* (ASC 815). SFAS 141R (ASC 815) amends and clarifies the accounting guidance for the acquirer's recognition and measurement of assets acquired, liabilities assumed and noncontrolling interests of an acquiree in a business combination. SFAS 141R (ASC 815) is effective for any acquisitions completed by the Company after September 30, 2009.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB 51* (ASC 810). SFAS 160 (ASC 810) requires that a noncontrolling interest (formerly a minority interest) in a subsidiary be classified as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be included in the consolidated financial statements. The adoption of SFAS 160 (ASC 810) did not have a material impact on our consolidated financial condition and results of operations as of June 30, 2010.

In June 2008, the FASB issued FSP EITF Issue No 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (ASC 260). FSP 03-6-1 (ASC 260) clarifies that non-vested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS 128, *Earnings per Share* (ASC 260) and requires that prior period EPS and share data be restated retrospectively for comparability. The Company grants restricted shares under a share-based compensation plan that qualify as participating securities. FSP 03-6-1 (ASC 260) was effective for the Company beginning October 1, 2009. The adoption of this guidance did not have a material impact on the Company's diluted earnings per share for the periods ended June 30, 2010 and 2009.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (ASC 470). FSP APB 14-1 (ASC 470) applies to convertible debt instruments that have a "net settlement feature" permitting settlement partially or fully in cash upon conversion. FSP APB 14-1 (ASC 470) was effective for the Company beginning October 1, 2009. Due to the fact that the Company's convertible securities cannot be settled in cash upon conversion, the adoption of FSP APB 14-1 (ASC 470) did not have a material impact on our consolidated financial condition and results of operations.

Recent Accounting Pronouncements Not Yet Adopted.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (ASC 810), which revises the approach to determining the primary beneficiary of a variable interest entity (VIE) to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a VIE. SFAS 167 (ASC 810) also requires enhanced disclosures to provide more information about an enterprise's involvement in a variable interest entity. SFAS 167 (ASC 810) is effective for the Company's fiscal year beginning October 1, 2010. The adoption of this standard is expect to result in the deconsolidation of certain VIEs and is not expected to have a material impact on our consolidated financial condition.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to a number of market risks in the ordinary course of business. Our primary market risk exposure relates to fluctuations in interest rates. We do not believe that our exposure in this area is material to cash flows or earnings. As of September 30, 2010, we had no variable rate debt outstanding. The estimated fair value of our fixed rate debt at September 30, 2010 was $1.2 billion, compared to a carrying value of $1.2 billion. In addition, the effect of a hypothetical one-percentage point decrease in our estimated discount rates would increase the estimated fair value of the fixed rate debt instruments from $1.21 billion to $1.26 billion at September 30, 2010.

Item 8. ***Financial Statements and Supplementary Data***

Beazer Homes USA, Inc.

Consolidated Statements of Operations

	Fiscal Year Ended September 30,		
	2010	2009	2008
	(In thousands, except share and per share amounts)		
Total revenue	**$1,009,841**	$ 971,703	$1,736,727
Home construction and land sales expenses	**874,197**	860,733	1,580,768
Inventory impairments and option contract abandonments	**50,036**	95,216	403,402
Gross profit (loss)	**85,608**	15,754	(247,443)
Selling, general and administrative expenses	**186,556**	222,691	298,274
Depreciation and amortization	**12,874**	18,392	23,802
Goodwill impairment	**—**	16,143	48,105
Operating loss	**(113,822)**	(241,472)	(617,624)
Equity in loss of unconsolidated joint ventures	**(8,807)**	(12,112)	(57,819)
Gain on extinguishment of debt	**43,901**	144,503	—
Other expense, net	**(69,543)**	(74,791)	(35,405)
Loss from continuing operations before income taxes	**(148,271)**	(183,872)	(710,848)
(Benefit from) provision for income taxes	**(118,355)**	(8,350)	68,951
Loss from continuing operations	**(29,916)**	(175,522)	(779,799)
Loss from discontinued operations, net of tax	**(4,133)**	(13,861)	(172,113)
Net loss	**$ (34,049)**	$(189,383)	$ (951,912)
Weighted average number of shares:			
Basic and diluted	**59,801**	38,688	38,549
Basic and diluted loss per share:			
Continuing operations	**$ (0.50)**	$ (4.54)	$ (20.23)
Discontinued operations	**$ (0.07)**	$ (0.36)	$ (4.46)
Total	**$ (0.57)**	$ (4.90)	$ (24.69)
Cash dividends per share	**$ —**	$ —	$ —

See Notes to Consolidated Financial Statements.

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Beazer Homes USA, Inc.

Consolidated Balance Sheets

	September 30, 2010	September 30, 2009
	(In thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	**$ 537,121**	$ 507,339
Restricted cash	**39,200**	49,461
Accounts receivable (net of allowance of $3,567 and $7,545, respectively)	**32,647**	28,405
Income tax receivable	**7,684**	9,922
Inventory		
Owned inventory	**1,153,703**	1,265,441
Consolidated inventory not owned	**49,958**	53,015
Total inventory	**1,203,661**	1,318,456
Investments in unconsolidated joint ventures	**8,721**	30,124
Deferred tax assets, net	**7,779**	7,520
Property, plant and equipment, net	**23,995**	25,939
Other assets	**42,094**	52,244
Total assets	**$ 1,902,902**	$ 2,029,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	**$ 53,418**	$ 70,285
Other liabilities	**210,170**	227,315
Obligations related to consolidated inventory not owned	**30,666**	26,356
Total debt (net of discounts of $23,617 and $27,257, respectively)	**1,211,547**	1,508,899
Total liabilities	**1,505,801**	1,832,855
Stockholders' equity:		
Preferred stock (par value $.01 per share, 5,000,000 shares authorized, no shares issued)	**—**	—
Common stock (par value $0.001 per share, 180,000,000 shares authorized, 75,669,381 and 43,150,472 issued and 75,669,381 and 39,793,316 outstanding, respectively)	**76**	43
Paid-in capital	**618,612**	568,019
Accumulated deficit	**(221,587)**	(187,538)
Treasury stock, at cost (0 and 3,357,156 shares, respectively)	**—**	(183,969)
Total stockholders' equity	**397,101**	196,555
Total liabilities and stockholders' equity	**$ 1,902,902**	$ 2,029,410

See Notes to Consolidated Financial Statements.

Beazer Homes USA, Inc.

Consolidated Statement of Stockholders' Equity

	Preferred Stock	Common Stock	Paid in Capital	Accumulated Deficit	Treasury Stock	Total
			($ in thousands)			
Balance, September 30, 2007	$ —	$ 43	$ 543,705	$ 963,869	$ (183,895)	$ 1,323,722
Net loss and comprehensive loss	—	—	—	(951,912)	—	(951,912)
Amortization of nonvested stock awards	—	—	6,160	—	—	6,160
Amortization of stock option awards	—	—	6,404	—	—	6,404
Tax benefit from stock transactions	—	—	(1,158)	—	—	(1,158)
Issuance of bonus stock (43,075 shares)	—	—	1,799	—	—	1,799
Adoption of FIN 48	—	—	—	(10,112)	—	(10,112)
Common stock redeemed (7,255 shares)	—	—	—	—	(52)	(52)
Balance, September 30, 2008	—	43	556,910	1,845	(183,947)	374,851
Net loss and comprehensive loss	—	—	—	(189,383)	—	(189,383)
Amortization of nonvested stock awards	—	—	6,562	—	—	6,562
Amortization of stock option awards	—	—	5,277	—	—	5,277
Tax benefit from stock transactions	—	—	(2,273)	—	—	(2,273)
Issuance of bonus stock (27,708 shares)	—	—	1,543	—	—	1,543
Issuance of restricted stock (544,143 shares)	—	—	—	—	—	—
Common stock redeemed (14,393 shares)	—	—	—	—	(22)	(22)
Balance, September 30, 2009	—	43	568,019	(187,538)	(183,969)	196,555
Net loss and comprehensive loss	—	—	—	(34,049)	—	(34,049)
Amortization of nonvested stock awards	—	—	5,552	—	—	5,552
Amortization of stock option awards	—	—	5,817	—	—	5,817
Tax benefit from stock transactions	—	—	(3,099)	—	—	(3,099)
Issuance of bonus stock (67,358 shares)	—	—	2,337	—	—	2,337
Issuance of restricted stock (1,006,145 shares)	—	1	(1)	—	—	—
Issuance of prepaid stock purchase contracts	—	—	57,429	—	—	57,429
Common stock issued (34,925,000 shares)	—	35	166,683	—	—	166,718
Common stock redeemed (32,944 shares)	—	—	(25)	—	(134)	(159)
Treasury stock utilized (3,384,466 shares)	—	(3)	(184,100)	—	184,103	—
Balance, September 30, 2010	$ —	$ 76	$ 618,612	$ (221,587)	$ —	$ 397,101

See Notes to Consolidated Financial Statements.

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Beazer Homes USA, Inc.

Consolidated Statements of Cash Flows

	Fiscal Year Ended September 30,		
	2010	2009	2008
		(In thousands)	
Cash flows from operating activities:			
Net loss	**$ (34,049)**	$(189,383)	$(951,912)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	**13,405**	18,884	27,709
Stock-based compensation expense	**11,369**	11,839	12,564
Inventory impairments and option contract abandonments	**51,839**	107,127	510,628
Goodwill impairment	**—**	16,143	52,470
Deferred income tax (benefit) provision	**(259)**	12,696	260,410
Provision for doubtful accounts	**(3,978)**	(1,370)	8,710
Excess tax benefit from equity-based compensation	**3,099**	2,273	1,158
Equity in loss of unconsolidated joint ventures	**24,350**	14,275	81,314
Cash distributions of income from unconsolidated joint ventures	**208**	2,991	2,439
Gain on extinguishment of debt	**(44,602)**	(148,077)	—
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	**(264)**	19,520	(7,820)
Decrease (increase) in income tax receivable	**2,238**	163,578	(109,519)
Decrease in inventory	**82,504**	208,371	572,746
Decrease in other assets	**3,835**	25,072	49,600
Decrease in trade accounts payable	**(16,867)**	(20,086)	(27,916)
Decrease in other liabilities	**(22,530)**	(150,260)	(161,113)
Other changes	**(613)**	232	(5,901)
Net cash provided by operating activities	**69,685**	93,825	315,567
Cash flows from investing activities:			
Capital expenditures	**(10,849)**	(7,034)	(10,566)
Investments in unconsolidated joint ventures	**(5,602)**	(25,537)	(13,758)
Increases in restricted cash	**(37,439)**	(72,168)	(109,609)
Decreases in restricted cash	**47,700**	23,004	114,483
Distributions from unconsolidated joint ventures	**—**	2,054	1,050
Net cash used in investing activities	**(6,190)**	(79,681)	(18,400)
Cash flows from financing activities:			
Repayment of debt	**(619,806)**	(305,399)	(143,625)
Proceeds from issuance of new debt	**374,438**	223,750	—
Debt issuance costs	**(9,234)**	(7,195)	(22,335)
Proceeds from issuance of common stock	**166,718**	—	—
Proceeds from issuance of TEU prepaid stock purchase contracts	**57,429**	—	—
Common stock redeemed	**(159)**	(22)	(52)
Excess tax benefit from equity-based compensation	**(3,099)**	(2,273)	(1,158)
Net cash used in financing activities	**(33,713)**	(91,139)	(167,170)
Increase (decrease) in cash and cash equivalents	**29,782**	(76,995)	129,997
Cash and cash equivalents at beginning of period	**507,339**	584,334	454,337
Cash and cash equivalents at end of period	**$ 537,121**	$ 507,339	$ 584,334

See Notes to Consolidated Financial Statements.

Beazer Homes USA, Inc.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Organization. Beazer Homes USA, Inc. is one of the ten largest homebuilders in the United States, based on number of homes closed. We are a geographically diversified homebuilder with active operations in 15 states: Arizona, California, Delaware, Florida, Georgia, Indiana, Maryland, Nevada, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, and Virginia. Through Beazer Mortgage Corporation, or Beazer Mortgage, we historically offered mortgage origination services to our homebuyers. Through January 31, 2008, Beazer Mortgage financed certain of our mortgage lending activities with borrowings under a warehouse line of credit or from general corporate funds prior to selling the loans and their servicing rights shortly after origination to third-party investors. In addition, through September 30, 2010, we offered title insurance services to our homebuyers in many of our markets. Effective February 1, 2008, we exited the mortgage origination business and effective September 30, 2010 we exited the title services business. Over the past few years, we have discontinued homebuilding operations in certain of our markets. Results from our mortgage origination business, title services business and exit markets are reported as discontinued operations in the accompanying Consolidated Statements of Operations for all periods presented (see Note 15 for further discussion of our Discontinued Operations). We evaluated events that occurred after the balance sheet date but before the financial statements were issued or are available to be issued for accounting treatment and disclosure in accordance with Accounting Standards Codification (ASC) No. 855, *Subsequent Events*.

Presentation. The accompanying consolidated financial statements include the accounts of Beazer Homes USA, Inc. and our subsidiaries. Intercompany balances have been eliminated in consolidation. Certain items in prior period financial statements have been reclassified to conform to the current presentation.

Cash and Cash Equivalents and Restricted Cash. We consider investments with maturities of three months or less when purchased to be cash equivalents. At September 30, 2010, the majority of our cash and cash equivalents were invested in high-quality money market mutual funds or on deposit with major banks, which were valued at par with no withdrawal restrictions. The underlying investments of these funds were predominately U.S. Government and U.S. Government Agency obligations. Restricted cash includes cash restricted by state law or a contractual requirement and, as of September 30, 2010 relates primarily to cash collateral for our outstanding letters of credit.

Accounts Receivable. Accounts receivable primarily consist of escrow deposits to be received from title companies associated with closed homes. Generally, we receive cash from title companies within a few days of the home being closed.

Inventory. Owned inventory consists solely of residential real estate developments. Interest, real estate taxes and development costs are capitalized in inventory during the development and construction period. Construction and land costs are comprised of direct and allocated costs, including estimated future costs for warranties and amenities. Land, land improvements and other common costs are typically allocated to individual residential lots on a pro-rata basis, and the costs of residential lots are transferred to construction in progress when home construction begins. Consolidated inventory not owned represents the fair value of land under option agreements consolidated pursuant to FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities* , an Interpretation of ARB No. 51 (FIN 46R) (ASC 810). FIN 46R requires us to consolidate the financial results of a variable interest entity (VIE) if the Company is the primary beneficiary of the VIE. VIEs are entities in which 1) equity investors do not have a controlling financial interest and/or 2) the entity is unable to finance its activities without additional subordinated financial support from other parties. In addition to lot options recorded in accordance with FIN 46R, we evaluate lot options in accordance with the provisions of SFAS No. 49, *Product Financing Arrangements* (ASC 470). When our deposits and pre-acquisition development costs exceed certain thresholds, we record the remaining purchase price of the lots as consolidated inventory not owned and obligations related to consolidated inventory not owned in the Consolidated Balance Sheets.

Investments in Unconsolidated Joint Ventures. We participate in a number of land development joint ventures in which we have less than a controlling interest. Our joint ventures are typically entered into with unrelated developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture's members and other third parties. We have determined that our interest in these joint ventures should be accounted for under the equity method as prescribed by SOP 78-9, *Accounting for Investments in Real Estate Ventures*. We recognize our share of profits from the sale of lots to other buyers. Our share of profits from lots we purchase from the joint ventures is deferred and treated as a reduction of the cost of the land purchased from the joint venture. Such profits are subsequently recognized at the time the home closes and title passes to the homebuyer. We evaluate our investments in unconsolidated entities for impairment during each reporting period in accordance with APB 18, *The Equity Method of Accounting for Investments in Common Stock* (ASC 323). A series of operating losses of an investee or other factors may indicate that a decrease in the value of our investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying value over its estimated fair value. Our joint ventures typically obtain secured acquisition and development financing. See Note 3, *Investments in Unconsolidated Joint Ventures*.

Property, Plant and Equipment. Property, plant and equipment is recorded at cost. Depreciation is computed on a straight-line basis at rates based on estimated useful lives as follows:

Buildings	15 — 30 years
Computer and office equipment	3 — 10 years
Information systems	Lesser of estimated useful life of the asset or 5 years
Furniture and fixtures	3 — 7 years
Model and sales office improvements	Lesser of estimated useful life of the asset or estimated useful life of the community
Leasehold improvements	Lesser of the lease term or the estimated useful life of the asset

Inventory Valuation — Held for Development. Our homebuilding inventories that are accounted for as held for development include land and home construction assets grouped together as communities. Homebuilding inventories held for development are stated at cost (including direct construction costs, capitalized indirect costs, capitalized interest and real estate taxes) unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. We assess these assets no less than quarterly for recoverability in accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360). Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct and close all the homes in a typical community. However, the impact of the recent downturn in our business has significantly lengthened the estimated life of many communities. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the expected undiscounted cash flows generated are expected to be less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

We conduct a review of the recoverability of our homebuilding inventories held for development at the community level as factors indicate that an impairment may exist. Events and circumstances that might indicate impairment include, but are not limited to, (1) adverse trends in new orders, (2) higher than anticipated cancellations, (3) declining margins which might result from the need to offer incentives to new homebuyers to drive sales or price reductions in response to actions taken by our competitors, (4) economic factors specific to the markets in which we operate, including fluctuations in employment levels, population growth, or levels of new and resale homes for sale in the marketplace and (5) a decline in the availability of credit across all industries.

As a result, we evaluate, among other things, the following information for each community:

- Actual "Net Contribution Margin" (defined as homebuilding revenues less homebuilding costs and direct selling expenses) for homes closed in the current fiscal quarter, fiscal year to date and prior two fiscal quarters. Homebuilding costs include land and land development costs (based upon an allocation of such costs, including costs to complete the development, or specific lot costs), home construction costs (including an estimate of costs, if any, to complete home construction), previously capitalized indirect costs (principally for construction supervision), capitalized interest and estimated warranty costs Direct selling expenses include commissions, closing costs and amortization related to model home furnishings and improvements;

- Projected Net Contribution Margin for homes in backlog;
- Actual and trending new orders and cancellation rates;
- Actual and trending base home sales prices and sales incentives for home sales that occurred in the prior two fiscal quarters that remain in backlog at the end of the fiscal quarter and expected future homes sales prices and sales incentives and absorption over the expected remaining life of the community;
- A comparison of our community to our competition to include, among other things, an analysis of various product offerings including, the size and style of the homes currently offered for sale, community amenity levels, availability of lots in our community and our competition’s, desirability and uniqueness of our community and other market factors; and
- Other events that may indicate that the carrying value may not be recoverable.

In determining the recoverability of the carrying value of the assets of a community that we have evaluated as requiring a test for impairment, significant quantitative and qualitative assumptions are made relative to the future home sales prices, sales incentives, direct and indirect costs of home construction and land development and the pace of new home orders. In addition, these assumptions are dependent upon the specific market conditions and competitive factors for each specific community and may differ greatly between communities within the same market and communities in different markets. Our estimates are made using information available at the date of the recoverability test, however, as facts and circumstances may change in future reporting periods, our estimates of recoverability are subject to change.

For assets in communities for which the undiscounted future cash flows are less than the carrying value, the carrying value of that community is written down to its then estimated fair value based on discounted cash flows. The carrying value of assets in communities that were previously impaired and continue to be classified as held for development is not written up for future estimates of increases in fair value in future reporting periods. Market deterioration that exceeds our estimates may lead us to incur additional impairment charges on previously impaired homebuilding assets in addition to homebuilding assets not currently impaired but for which indicators of impairment may arise if the market continues to deteriorate.

The fair value of the homebuilding inventory held for development is estimated using the present value of the estimated future cash flows using discount rates commensurate with the risk associated with the underlying community assets. The discount rate used may be different for each community. The factors considered when determining an appropriate discount rate for a community include, among others: (1) community specific factors such as the number of lots in the community, the status of land development in the community, the competitive factors influencing the sales performance of the community and (2) overall market factors such as employment levels, consumer confidence and the existing supply of new and used homes for sale. The assumptions used in our discounted cash flow models are specific to each community tested for impairment. Historically we did not include market improvements except in limited circumstances in the latter years of long-lived communities. Beginning in the fourth quarter of fiscal 2009, we assumed limited market improvements in some communities beginning in fiscal 2011 and continuing improvement in these communities in subsequent years. We assumed the remaining communities would have market improvements beginning in fiscal 2012.

Due to uncertainties in the estimation process, particularly with respect to projected home sales prices and absorption rates, the timing and amount of the estimated future cash flows and discount rates, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. We calculated the estimated fair values of inventory held for development that were evaluated for impairment based on current market conditions and assumptions made by management relative to future results. Because our projected cash flows are significantly impacted by changes in market conditions, it is reasonably possible that actual results could differ materially from our estimates and result in additional impairments.

Asset Valuation — Land Held for Future Development. For those communities for which construction and development activities are expected to occur in the future or have been idled (land held for future development), all applicable interest and real estate taxes are expensed as incurred and the inventory is stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. The future enactment of a development plan or the occurrence of events and circumstances may indicate that the carrying amount of an asset may not be recoverable. We evaluate the potential development plans of each community in land held for future development if changes in facts and circumstances occur which would give rise to a more detailed analysis for a change in the status of a community to active status or held for development.

Asset Valuation — Land Held for Sale. We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if land is held for sale:

- management has the authority and commits to a plan to sell the land;
- the land is available for immediate sale in its present condition;
- there is an active program to locate a buyer and the plan to sell the property has been initiated;
- the sale of the land is probable within one year;
- the property is being actively marketed at a reasonable sale price relative to its current fair value; and
- it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

Additionally, in certain circumstances, management will re-evaluate the best use of an asset that is currently being accounted for as held for development. In such instances, management will review, among other things, the current and projected competitive circumstances of the community, including the level of supply of new and used inventory, the level of sales absorptions by us and our competition, the level of sales incentives required and the number of owned lots remaining in the community. If, based on this review and the foregoing criteria have been met at the end of the applicable reporting period, we believe that the best use of the asset is the sale of all or a portion of the asset in its current condition, then all or portions of the community are accounted for as held for sale.

In determining the fair value of the assets less cost to sell, we considered factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals, any recent legitimate offers, and listing prices of similar properties. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about land sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We calculated the estimated fair values of land held for sale based on current market conditions and assumptions made by management, which may differ materially from actual results and may result in additional impairments if market conditions continue to deteriorate.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of assets acquired. We historically have tested goodwill for impairment annually as of April 30 or more frequently if an event occurred or circumstances indicated that the asset might be impaired. From late fiscal 2006 through the first half of fiscal 2009, the deterioration of the housing industry resulted in an oversupply of inventory, reduced levels of demand, increased cancellation rates, aggressive price competition and increased incentives for homes sales. Based on our impairment tests and consideration of the current and expected future market conditions, over this time we determined that all of our goodwill was impaired. We recorded a non-cash, pre-tax goodwill impairment of $16.1 million in fiscal 2009. In fiscal 2008, we had determined that the goodwill was impaired related to our Southern California, Arizona,

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Colorado, New Jersey and Virginia reporting units and recorded non-cash, pre-tax goodwill impairment charges totaling $52.5 million, of which $4.4 million has been included in loss from discontinued operations, net of tax. The Company has no goodwill remaining as of September 30, 2010 or 2009.

Goodwill impairment charges are reported in Corporate and Unallocated and are not allocated to our homebuilding segments. Goodwill balances by reporting segment as of October 1, 2008 and 2009 were as follows.

	October 1, 2008	Fiscal 2009 Impairments	September 30, 2009
		(In thousands)	
West	$ 6,885	**$ (6,885)**	$ —
East	9,258	**(9,258)**	—
Total	$ 16,143	$ (16,143)	$ —

Other Assets. Other assets principally include prepaid expenses, debt issuance costs and deferred compensation plan assets.

Income Taxes. Income taxes are accounted for in accordance with SFAS 109, *Accounting for Income Taxes and* FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109* (FIN 48) (ASC 740). Under ASC 740, the provision for income taxes is comprised of taxes that are currently payable and deferred taxes that relate to temporary differences between financial reporting carrying values and tax bases of assets and liabilities. Deferred tax assets and liabilities result from deductible or taxable amounts in future years when such assets and liabilities are recovered or settled and are measured using the enacted tax rates and laws that are expected to be in effect when the assets and liabilities are recovered or settled. We include any estimated interest and penalties on tax related matters in income taxes payable. We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition of measurement are recorded in the period in which the change in judgment occurs. We record interest and penalties related to unrecognized tax benefits in income tax expense.

Other Liabilities. Other liabilities include the following:

	September 30, 2010	September 30, 2009
	(In thousands)	
Income tax liabilities	**$ 53,508**	$ 50,850
Accrued warranty expenses	**25,821**	30,100
Accrued interest	**35,477**	32,533
Accrued and deferred compensation	**31,474**	29,379
Customer deposits	**3,678**	5,507
Other	**60,212**	78,946
Total	**$ 210,170**	$ 227,315

Income Recognition and Classification of Costs. Revenue and related profit are generally recognized at the time of the closing of a sale, when title to and possession of the property are transferred to the buyer. As appropriate, revenue for condominiums under construction is recognized based on the percentage-of-completion method in accordance with SFAS 66, *Accounting for Sales of Real-Estate and* Emerging Issues Task Force (EITF) Issue No. 06-8, *Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums* (ASC 360), when certain criteria are met.

We recognized loan origination fees and expenses and gains and losses on mortgage loans when the related loans were sold to third-party investors. Beazer's policy was to sell all mortgage loans it originates and these sales usually occurred within 15 to 30 days of the closing of the home sale. Effective February 1, 2008, Beazer exited the mortgage origination business. The results of Beazer Mortgage have been reported as discontinued operations for all periods presented (see Note 15, *Discontinued Operations*).

Sales discounts and incentives include items such as cash discounts, discounts on options included in the home, option upgrades (such as upgrades for cabinetry, countertops and flooring), and seller-paid financing or closing costs. In addition, from time to time, we may also provide homebuyers with retail gift certificates and/or other nominal retail merchandise. All sales incentives other than cash discounts are recognized as a cost of selling the home and are included in home construction and land sales expenses. Cash discounts are accounted for as a reduction in the sales price of the home.

Sales commissions are included in selling, general and administrative expenses.

Estimated future warranty costs are charged to cost of sales in the period when the revenues from home closings are recognized. Such estimated warranty costs generally range from 0.5% to 1.5% of total revenue. Additional warranty costs are charged to cost of sales as necessary based on management's estimate of the costs to remediate existing claims. See Note 13 for a more detailed discussion of warranty costs and related reserves.

Advertising costs related to our continuing operations of $11.4 million, $11.8 million and $22.9 million for fiscal years 2010, 2009, and 2008, respectively, were expensed as incurred and are included in selling, general and administrative expenses. The decrease in advertising costs relates primarily to the reduced number of communities being marketed and our more efficient use of advertising dollars in connection with our cost control initiatives.

Earnings Per Share (EPS). The computation of basic earnings per common share is determined by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS additionally gives effect (when dilutive) to stock options, other stock based awards and other potentially dilutive securities. In computed diluted loss per share for the fiscal years ended September 30, 2010, 2009 and 2008, all common stock equivalents were excluded from the computation of diluted loss per share as a result of their anti-dilutive effect.

Fair Value Measurements. Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recovered. We review our long-lived assets, including inventory for recoverability when factors that indicate an impairment may exist, but no less than quarterly. Fair value is based on estimated cash flows discounted for market risks associated with the long-lived assets. The fair value of certain of our financial instruments approximate their carrying amounts due to the short maturity of these assets and liabilities or the variable interest rates on such obligations. The fair value of our publicly held debt is generally estimated based on quoted bid prices for these instruments. Certain of our other financial instruments are estimated by discounting scheduled cash flows through maturity or using market rates currently being offered on loans with similar terms and credit quality. See Note 8 for additional discussion of our fair value measurements.

Stock-Based Compensation. We use the Black-Scholes model to value stock-settled appreciation rights (SSARs) and stock option grants under SFAS 123R, *Share-Based Payme*nt (ASC 718), and applied the "modified prospective method" for existing grants which required us to value the grants made prior to our adoption of SFAS 123R under the fair value method and expense the unvested portion over the remaining vesting period. We estimate forfeitures in calculating the expense related to stock-based compensation. In addition, we reflect the benefits of tax deductions in excess of recognized compensation cost as a financing cash inflow and an operating cash outflow. Nonvested stock granted to employees is valued based on the market price of the common stock on the date of the grant. Performance based, nonvested stock granted to employees is valued using the Monte Carlo valuation method. Cash-settled, stock-based awards granted to employees are initially valued based on the market price of the underlying common stock on the date of the grant and are adjusted to fair value until vested. Stock options issued to non-employees are valued using the Black-Scholes option pricing model. Nonvested stock granted to non-employees is initially valued based on the market price of the common stock on the date of the grant and is adjusted to fair value until vested.

Compensation cost arising from nonvested stock granted to employees, from cash-settled, stock-based employee awards and from non-employee stock awards is recognized as expense using the straight-line method over the vesting period. Unearned compensation is included in paid in capital. As of September 30, 2010 and 2009, there was $10.0 million and $9.6 million, respectively, of total unrecognized compensation cost related to nonvested stock. The cost remaining at September 30, 2010 is expected to be recognized over a weighted average period of 2.4 years.

For the years ended September 30, 2010, 2009, and 2008, total non-cash stock-based compensation expense, included in SG&A expenses, was $11.4 million ($7.6 million net of tax), $11.8 million ($8.3 million net of tax) and $12.3 million ($8.7 million net of tax), respectively.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principals in the U.S (GAAP) 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.

Recently Adopted Accounting Pronouncements. In September 2006, the FASB issued SFAS 157, *Fair Value Measurements (ASC 820)*. SFAS 157 (ASC 820) provides guidance for using fair value to measure assets and liabilities. SFAS 157 (ASC 820) applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS 157 (ASC 820) includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157 (ASC 820)*, delaying the effective date of certain non-financial assets and liabilities to fiscal periods beginning after November 15, 2008. The company adopted SFAS 157 (ASC 820) on October 1, 2009 as discussed in Note 8.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (ASC 825). SFAS 159 (ASC 825) permits companies to measure certain financial instruments and other items at fair value. We have not elected the fair value option applicable under SFAS 159 (ASC 825).

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations* (ASC 815). SFAS 141R (ASC 815) amends and clarifies the accounting guidance for the acquirer's recognition and measurement of assets acquired, liabilities assumed and noncontrolling interests of an acquiree in a business combination. SFAS 141R (ASC 815) is effective for any acquisitions completed by the Company after September 30, 2009.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB 51* (ASC 810). SFAS 160 (ASC 810) requires that a noncontrolling interest (formerly a minority interest) in a subsidiary be classified as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be included in the consolidated financial statements. The adoption of SFAS 160 (ASC 810) did not have a material impact on our consolidated financial condition and results of operations as of September 30, 2010.

In June 2008, the FASB issued FSP EITF Issue No 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (ASC 260). FSP 03-6-1 (ASC 260) clarifies that non-vested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS 128, *Earnings per Share* (ASC 260) and requires that prior period EPS and share data be restated retrospectively for comparability. The Company grants restricted shares under a share-based compensation plan that qualify as participating securities. FSP 03-6-1 (ASC 260) was effective for the Company beginning October 1, 2009. The adoption of this guidance did not have a material impact on the Company's diluted earnings per share for any periods in the fiscal years ended September 30, 2010 and 2009.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (ASC 470). FSP APB 14-1 (ASC 470) applies to convertible debt instruments that have a "net settlement feature" permitting settlement partially or fully in cash upon conversion. FSP APB 14-1 (ASC 470) was effective for the Company beginning October 1, 2009. Due to the fact that the Company's convertible securities cannot be settled in cash upon conversion, the adoption of FSP APB 14-1 (ASC 470) did not have a material impact on our consolidated financial condition and results of operations.

Recent Accounting Pronouncements Not Yet Adopted.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (ASC 810), which revises the approach to determining the primary beneficiary of a variable interest entity (VIE) to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a VIE. SFAS 167 (ASC 810) also requires enhanced disclosures to provide more information about an enterprise's involvement in a variable interest entity. SFAS 167 (ASC 810) is effective for the Company's fiscal year beginning October 1, 2010. The Company expects the adoption of SFAS 167 (ASC 810) to result in the deconsolidation of certain VIEs and a reduction in the amount of consolidated inventory not owned reported in our consolidated financial statements and is not expected to have a material impact on our consolidated financial condition.

(2) Supplemental Cash Flow Information

We had the following cash and non-cash activity *(in thousands)*:

	2010	2009	2008
Supplemental disclosure of non-cash activity:			
Increase (decrease) in obligations related to consolidated inventory not owned	**$ 4,310**	$ (44,252)	$ (107,323)
Non-cash land acquisitions	**515**	16,860	33,285
Issuance of stock under deferred bonus stock plans	**2,337**	1,543	1,799
Decrease in retained earnings from FIN 48 adoption	—	—	(10,112)
Supplemental disclosure of cash activity:			
Interest payments	**113,885**	129,724	133,482
Income tax payments	**655**	9,692	2,879
Tax refunds received	**135,803**	172,465	59,242

(3) Investments in Unconsolidated Joint Ventures

As of September 30, 2010, we participated in certain land development joint ventures in which Beazer Homes had less than a controlling interest. The following table presents our investment in our unconsolidated joint ventures, the total equity and outstanding borrowings of these joint ventures and our guarantees of these borrowings as of September 30, 2010 and September 30, 2009:

	2010	2009
	(In thousands)	
Beazer's investment in joint ventures	**$ 8,721**	$ 30,124
Total equity of joint ventures	**94,392**	328,875
Total outstanding borrowings of joint ventures	**394,301**	422,682
Beazer's estimate of its maximum exposure to our loan-to-value maintenance guarantees	—	3,850
Beazer's estimate of its maximum exposure to our repayment guarantees	**15,789**	15,789

The decrease in our investment in unconsolidated joint ventures from September 30, 2009 to September 30, 2010 relates primarily to impairments offset slightly by additional investments of $5.6 million. In addition, during fiscal 2010, together with our joint venture partners, we terminated our involvement in two joint ventures. For the fiscal years ended September 30, 2010, 2009 and 2008, our loss from joint venture activities, the impairments of our investments in certain of our unconsolidated joint ventures, and the overall equity in loss of unconsolidated joint ventures is as follows:

	2010	2009	2008
		(In thousands)	
Continuing operations:			
Income (loss) from joint venture activity	**$ 10**	$ 518	$ (12,527)
Impairment of joint venture investment	**(8,817)**	(12,630)	(45,292)
Equity in loss of unconsolidated joint ventures	$ (8,807)	$ (12,112)	$ (57,819)
Reported in loss from discontinued operations, net of tax			
(Loss) income from joint venture activity	**$ (32)**	$ —	$ 4
Impairment of joint venture investment	**(15,511)**	(2,163)	(23,499)
Equity in loss of unconsolidated joint ventures — discontinued operations	$ (15,543)	$ (2,163)	$ (23,495)

The aggregate debt of the unconsolidated joint ventures was $394.3 million and $422.7 million at September 30, 2010 and 2009, respectively. At September 30, 2010, total borrowings outstanding include $327.9 million related to one joint venture in which we are a 2.58% member. The $28.4 million reduction in total outstanding joint venture debt during fiscal 2010 resulted primarily from debt payments of $35.0 million in accordance with loan agreements and/or negotiated settlements offset by loan draws of $6.6 million to fund the development activities of certain joint ventures. In December 2009, together with our joint venture partner, we reached agreement with a lender to the joint venture to pay down the joint venture's outstanding debt by $7.4 million. In connection with this loan repayment, which was funded by capital contributions from both joint venture partners, the lender released the obligations under the related loan-to-value maintenance guarantees.

During the fourth quarter of fiscal 2009, one of our unconsolidated joint ventures completed a modification of its loan agreement with its lender, which resulted in, among other things, an extension of its maturity, enhanced guarantees from our joint venture partner and the release of Beazer under all guarantees related to this joint venture. Beazer contributed $9.7 million as an additional investment in the joint venture as part of the loan modification. Also during the fourth quarter of fiscal 2009, the Company and its joint venture partners entered into agreements with a lender to repay the notes payable of one of its unconsolidated joint ventures at a discount. The Company contributed an additional $4.3 million as an investment which was used to reduce the loan balance of this joint venture. We also entered into an agreement with a lender and our joint venture partner to purchase the notes payable and our partner's interest in one of our unconsolidated joint ventures for a total of $13.6 million. This joint venture is consolidated in our financial statements as of September 30, 2009. In fiscal 2009, we also paid $3.0 million to settle our obligations under guarantees for three ventures which we had previously estimated at a maximum potential obligation of $16.6 million. As part of the settlement agreements, the lenders also cancelled $48.6 million of the outstanding debt of these three joint ventures.

One of our joint ventures is in default under its debt obligations. During fiscal 2008, the lender to the joint venture, in which we have a 2.58% investment, notified the joint venture members that it believes the joint venture is in default of certain joint venture loan agreements as a result of certain of the Company's joint venture members not complying with all aspects of the joint ventures' loan agreements. The joint venture members are currently in discussions with the lender. In December 2008, the lender filed individual lawsuits against some of the joint venture members and certain of those members' parent companies (including the Company), seeking to recover damages under completion guarantees, among other claims. We intend to vigorously defend against this legal action. The Company's share of the outstanding debt is approximately $15.1 million at September 30, 2010. Under the terms of the agreement, our repayment guarantee is estimated at $15.1 million, which is only triggered in the event of bankruptcy of the joint venture. Due to discussions with our other joint venture members, and based on our revised estimates regarding the realizability of our investment, we impaired our equity interest of $8.8 million in this joint venture during fiscal 2010. In addition, one member of the joint venture filed an arbitration proceeding against the remaining members related to the plaintiff-member's allegations that the other members failed to perform under the applicable membership agreements. The arbitration proceeding in this matter was held in February 2010 and the arbitration panel issued its decision on July 6, 2010. Under the decision, the panel denied the plaintiff's specific performance claims and awarded damages in the amount well below the amount claimed. The Company does not believe that its proportional share of the award is considered material to our consolidated financial position or results of operations. The Company has recorded an accrual for such matter (see Note 13 for additional information). In addition, certain of the joint venture members have curtailed their funding of their allocable joint venture obligations. Given the inherent uncertainties involved in the ongoing negotiations among the joint venture members, as of September 30, 2010, no accrual has been recorded with respect to the unfunded amounts, as obligations to Beazer, if any, related to these matters were not both probable and reasonably estimable.

Our joint ventures typically obtain secured acquisition, development and construction financing. Generally Beazer and our joint venture partners provide varying levels of guarantees of debt and other obligations for our unconsolidated joint ventures. At September 30, 2010, these guarantees included, for certain joint ventures, construction completion guarantees, loan-to-value maintenance agreements, repayment guarantees and environmental indemnities.

In assessing the need to record a liability for the contingent aspect of these guarantees in accordance with FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Oth*ers (ASC 400), we consider our historical experience in being required to perform under the guarantees, the fair value of the collateral underlying these guarantees and the financial condition of the applicable unconsolidated joint ventures. In addition, we monitor the fair value of the collateral of these unconsolidated joint ventures to ensure that the related borrowings do not exceed the specified percentage of the value of the property securing the borrowings. We have not recorded a liability for the contingent aspects of any guarantees that we determined were reasonably possible but not probable.

Construction Completion Guarantees

We and our joint venture partners may be obligated to the project lenders to complete land development improvements and the construction of planned homes if the joint venture does not perform the required development. Provided the joint venture and the partners are not in default under any loan provisions, the project lenders typically are obligated to fund these improvements through any financing commitments available under the applicable loans. A majority of these construction completion guarantees are joint and several with our partners. In those cases, we generally have a reimbursement arrangement with our partner which provides that neither party is responsible for more than its proportionate share of the guarantee. However, if our joint venture partner does not have adequate financial resources to meet its obligations under such reimbursement arrangement, we may be liable for more than our proportionate share, up to our maximum exposure, which is the full amount covered by the relevant joint and several guarantee. The guarantees cover a specific scope of work, which may range from an individual development phase to the completion of the entire project. As of September 30, 2010, we have a completion guarantee related to one joint venture loan which also has a repayment guarantee associated with it. No accrual has been recorded, as losses, if any, related to construction completion guarantees are not both probable and reasonably estimable.

Loan-to-Value Maintenance Agreements

We and our joint venture partners may provide credit enhancements to acquisition, development and construction borrowings in the form of loan-to-value maintenance agreements, which can limit the amount of additional funding provided by the lenders or require repayment of the borrowings to the extent such borrowings plus construction completion costs exceed a specified percentage of the value of the property securing the borrowings. The agreements generally require periodic reappraisals of the underlying property value. To the extent that the underlying property gets reappraised, the amount of the exposure under the loan-to value-maintenance (LTV) guarantee would be adjusted accordingly and any such change could be significant. In certain cases, we may be required to make a re-balancing payment following a reappraisal in order to reduce the applicable loan-to-value ratio to the required level. As of September 30, 2010, we do not have any obligations related to LTV guarantees. Our estimate of the Company's portion of LTV guarantees of the unconsolidated joint ventures was $3.9 million at September 30, 2009. During fiscal 2010, the Company and its joint venture partner reached an agreement with the lender of a joint venture to release the LTV guarantee and extend the related loan maturity up to two years in exchange for a loan repayment of $7.4 million. The Company invested an additional $3.9 million in the joint venture to facilitate this repayment during fiscal 2010.

Repayment Guarantees

We and our joint venture partners have repayment guarantees related to certain joint ventures' borrowings. These repayment guarantees require the repayment of all or a portion of the debt of the unconsolidated joint venture only in the event the joint venture defaults on its obligations under the borrowing or in some cases only in the event the joint venture files for bankruptcy. Our estimate of Beazer's maximum exposure to our repayment guarantees related to the outstanding debt of its unconsolidated joint ventures was $15.8 million at both September 30, 2010 and 2009.

Environmental Indemnities

Additionally, we and our joint venture partners generally provide unsecured environmental indemnities to joint venture project lenders. In each case, we have performed due diligence on potential environmental risks. These indemnities obligate us to reimburse the project lenders for claims related to environmental matters for which they are held responsible. During the fiscal years ended September 30, 2010 and 2009, we were not required to make any payments related to environmental indemnities. No accrual has been recorded, as losses, if any, related to environmental indemnities are not both probable and reasonably estimable

(4) Inventory

	September 30, 2010	September 30, 2009
	(In thousands)	
Homes under construction	**$ 210,104**	$ 219,724
Development projects in progress	**444,062**	487,457
Land held for future development	**382,889**	417,834
Land held for sale	**36,259**	42,470
Capitalized interest	**36,884**	38,338
Model homes	**43,505**	59,618
Total owned inventory	**$ 1,153,703**	$ 1,265,441

Homes under construction includes homes finished and ready for delivery and homes in various stages of construction. We had 423 ($71.5 million) and 270 ($46.3 million) completed homes that were not subject to a sales contract at September 30, 2010 and 2009, respectively ("spec homes"). The increase in spec homes at September 30, 2010 was primarily due to homes started in anticipation of increased demand related to the expiration of the federal and state tax rebates in June 2010 that remained unsold at fiscal year end. Development projects in progress consist principally of land and land improvement costs. Certain of the fully developed lots in this category are reserved by a deposit or sales contract. Land held for future development consists of communities for which construction and development activities are expected to occur in the future or have been idled and are stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. All applicable interest and real estate taxes on land held for future development are expensed as incurred. During the fiscal year 2010, we reclassified $33.5 million of land held for future development to development projects in progress. Since 2008, the Company has made strategic decisions to re-allocate capital employed through sales of select properties and through the exiting of certain markets no longer viewed as strategic and has recorded such land as held for sale. Land held for sale as of September 30, 2010 and 2009 principally included land held for sale in the markets we have decided to exit including Colorado, New Mexico, Jacksonville, Florida and Charlotte, North Carolina.

Total owned inventory, by reportable segment, is set forth in the table below (*in thousands*):

	September 30, 2010				September 30, 2009			
	Projects in Progress	Held for Future Development	Land Held for Sale	Total Owned Inventory	Projects in Progress	Held for Future Development	Land Held for Sale	Total Owned Inventory
West Segment	**$ 281,912**	**$ 311,472**	**$ 5,273**	**$ 598,657**	$ 276,348	$ 345,050	$ 8,171	$ 629,569
East Segment	**269,210**	**47,381**	**1,376**	**317,967**	318,888	48,748	2,927	370,563
Southeast Segment	**121,509**	**24,036**	**—**	**145,545**	136,015	24,036	—	160,051
Unallocated	**53,157**	**—**	**—**	**53,157**	56,992	—	—	56,992
Discontinued Operations	**8,767**	**—**	**29,610**	**38,377**	16,894	—	31,372	48,266
Total	**$ 734,555**	**$ 382,889**	**$ 36,259**	**$ 1,153,703**	$ 805,137	$ 417,834	$ 42,470	$ 1,265,441

Inventory located in California, the state with our largest concentration of inventory, was $345.7 million and $358.7 million at September 30, 2010 and 2009, respectively.

Inventory Impairments. The following tables set forth, by reportable homebuilding segment, the inventory impairments and lot option abandonment charges recorded for the fiscal years ended September 30, 2010, 2009 and 2008 *(in thousands)* :

	Fiscal Year Ended September 30,		
	2010	2009	2008
Development projects and homes in process (Held for Development)			
West	**$18,056**	$ 42,704	$145,710
East	**18,703**	6,383	70,152
Southeast	**7,973**	24,536	53,103
Unallocated	**3,404**	5,116	21,769
Subtotal	**$48,136**	$ 78,739	$290,734
Land Held for Sale			
West	**$ 1,061**	$ 9,357	$ 8,505
East	**—**	1,071	16,883
Southeast	**—**	2,094	35,793
Subtotal	**$ 1,061**	$ 12,522	$ 61,181
Lot Option Abandonments			
West	**$ 783**	$ 99	$ 14,893
East	**35**	2,884	9,850
Southeast	**21**	972	26,744
Subtotal	**$ 839**	$ 3,955	$ 51,487
Continuing Operations	**$50,036**	$ 95,216	$403,402
Discontinued Operations			
Held for Development	**$ 781**	$ 1,477	$ 21,888
Land Held for Sale	**1,003**	9,370	55,593
Lot Option Abandonments	**19**	1,064	29,745
Subtotal	**$ 1,803**	$ 11,911	$107,226
Total Company	**$51,839**	$107,127	$510,628

The inventory held for development that was impaired during fiscal 2010, 2009 and 2008 was based on our estimated discounted cash flow impairment calculations. The fair value below represents the fair value immediately after a community's impairment, or the last impairment taken for communities impaired multiple times (*$ in millions*).

	2010	2009	2008
Discount Rate — low	**14%**	17%	16%
Discount Rate — high	**20%**	22%	23%
Continuing operations			
Communities impaired	**26**	34	103
Lots impaired	**1,855**	3,361	8,838
Estimated fair value	**$ 68.3**	$103.7	$363.7
Discontinued operations			
Communities impaired	**3**	1	37
Lots impaired	**40**	121	641
Estimated fair value	**$ 4.5**	$ 2.4	$ 47.9

During fiscal 2009 and 2010, for certain communities we determined it was prudent to reduce sales prices or further increase sales incentives in response to factors including competitive market conditions. Because the projected cash flows used to evaluate the fair value of inventory are significantly impacted by changes in market conditions including decreased sales prices, the change in sales prices and changes in absorption estimates led to additional impairments in certain communities during the fiscal year. In future periods, we may again determine that it is prudent to reduce sales prices, further increase sales incentives or reduce absorption rates which may lead to additional impairments, which could be material. The impairments recorded on our held for development inventory for the fiscal years ended September 30, 2010, 2009 and 2008, primarily resulted from the continued decline in the homebuilding environment across our submarkets.

The impairments on land held for sale above represent further write downs of these properties to net realizable value, less estimated costs to sell and are as a result of challenging market conditions and our review of recent comparable transactions.

Lot Option Agreements and Abandonments. We also have access to land inventory through lot option contracts, which generally enable us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we have determined whether to exercise our lot option. A majority of our lot option contracts require a non-refundable cash deposit or irrevocable letter of credit based on a percentage of the purchase price of the land for the right to acquire lots during a specified period of time at a certain price. Under lot option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our liability under option contracts is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately $38.7 million at September 30, 2010. This amount includes non-refundable letters of credit of approximately $3.7 million. The total remaining purchase price, net of cash deposits, committed under all options was $221.3 million as of September 30, 2010.

We have determined the proper course of action with respect to a number of communities within each homebuilding segment was to abandon the remaining lots under option and to write-off the deposits securing the option takedowns, as well as preacquisition costs. In determining whether to abandon a lot option contract, we evaluate the lot option primarily based upon the expected cash flows from the property that is the subject of the option. If we intend to abandon or walk-away from a lot option contract, we record a charge to earnings in the period such decision is made for the deposit amount and any related capitalized costs associated with the lot option contract. We recorded lot option abandonment charges during the fiscal years ended September 30, 2010, 2009 and 2008 as indicated in the table above. The abandonment charges relate to our decision to abandon certain option contracts that no longer fit in our long-term strategic plan and related to our prior year decision to exit certain markets.

We expect to exercise, subject to market conditions, most of our remaining option contracts. Various factors, some of which are beyond our control, such as market conditions, weather conditions and the timing of the completion of development activities, will have a significant impact on the timing of option exercises or whether land options will be exercised.

Certain of our option contracts are with sellers who are deemed to be VIEs under FIN 46R. FIN 46R defines a VIE as an entity with insufficient equity investment to finance its planned activities without additional financial support or an entity in which the equity investors lack certain characteristics of a controlling financial interest. Pursuant to FIN 46R, an enterprise that absorbs a majority of the expected losses or receives a majority of the expected residual returns of a VIE is deemed to be the primary beneficiary of the VIE and must consolidate the VIE.

We have determined that we are the primary beneficiary of certain of these option contracts. Our risk is generally limited to the option deposits that we pay, and creditors of the sellers generally have no recourse to the general credit of the Company. Although we do not have legal title to the optioned land, for those option contracts for which we are the primary beneficiary, we are required to consolidate the land under option at fair value. We believe that the exercise prices of our option contracts approximate their fair value. Our consolidated balance sheets at September 30, 2010 and 2009 reflect consolidated inventory not owned of $50.0 million and $53.0 million, respectively. Obligations related to consolidated inventory not owned totaled $30.7 million at September 30, 2010 and $26.4 million at September 30, 2009. The difference between the balances of consolidated inventory not owned and obligations related to consolidated inventory not owned represents cash deposits paid under the option agreements. Effective October 1, 2010, the Company will adopt the provisions of ASC 810. The adoption of this standard is expected to result in the deconsolidation of certain VIEs and is not expected to have a material impact on our consolidated financial condition.

(5) Interest

Our ability to capitalize all interest incurred during fiscal 2010, 2009 and 2008 has been limited by the reduction in our inventory eligible for capitalization. The following table sets forth certain information regarding interest (*in thousands*):

	Fiscal Year Ended September 30,		
	2010	**2009**	**2008**
Capitalized interest in inventory, beginning of year	**$ 38,338**	$ 45,977	$ 87,560
Interest incurred	**127,316**	133,481	139,659
Capitalized interest impaired	**(2,313)**	(3,376)	(13,795)
Interest expense not qualified for capitalization and included as other expense	**(74,214)**	(83,030)	(55,185)
Capitalized interest amortized to house construction and land sales expenses	**(52,243)**	(54,714)	(112,262)
Capitalized interest in inventory, end of year	**$ 36,884**	$ 38,338	$ 45,977

(6) Property, Plant and Equipment

Property, plant and equipment consists of *(in thousands)*:

	September 30, 2010	September 30, 2009
Building	**$ 2,378**	$ 2,378
Model and sales office improvements	**43,147**	57,010
Leasehold improvements	**6,875**	8,298
Computer and office equipment	**13,306**	18,709
Information systems	**20,078**	25,148
Furniture and fixtures	**7,069**	8,168
	92,853	119,711
Less: Accumulated depreciation	**(68,858)**	(93,772)
	$ 23,995	$ 25,939

(7) Borrowings

At September 30, 2010 and 2009 we had the following long-term debt *(in thousands)*:

	Maturity Date	September 30, 2010	September 30, 2009
Secured Revolving Credit Facility	August 2011	$ —	$ —
$8^5/_8$% Senior Notes	May 2011	—	127,254
$8^3/_8$% Senior Notes	April 2012	—	303,599
$6^1/_2$% Senior Notes	November 2013	**164,473**	164,473
$6^7/_8$% Senior Notes	July 2015	**209,454**	209,454
$8^1/_8$% Senior Notes	June 2016	**180,879**	180,879
12% Senior Secured Notes	October 2017	**250,000**	250,000
$9^1/_8$% Senior Notes	June 2018	**300,000**	—
TEU Senior Amortizing Notes	August 2013	**14,594**	—
$4^5/_8$% Convertible Senior Notes	June 2024	—	154,500
Unamortized debt discounts		**(23,617)**	(27,257)
Total Senior Notes, net		**1,095,783**	1,362,902
Mandatory Convertible Subordinated Notes	January 2013	**57,500**	—
Junior subordinated notes	July 2036	**47,470**	103,093
Other secured notes payable	Various Dates	**10,794**	12,543
Model home financing obligations	Various Dates	—	30,361
Total debt, net		**$ 1,211,547**	$ 1,508,899

As of September 30, 2010, future maturities of our borrowings, excluding our Mandatory Convertible Subordinated Notes which are convertible to common stock upon maturity, are as follows *(in thousands)*:

Year Ending September 30,	
2011	$ 9,307
2012	8,347
2013	6,857
2014	164,797
2015	209,778
Thereafter	831,882
Total	$ 1,230,968

Secured Revolving Credit Facility — On August 5, 2009, we entered into an amendment to our Secured Revolving Credit Facility that reduced the size of the facility to $22 million. The Secured Revolving Credit Facility is provided by one lender. The Secured Revolving Credit Facility provides for future working capital and letter of credit needs collateralized by either cash or assets of the Company at our option, based on certain conditions and covenant compliance. As of September 30, 2010, we have elected to cash collateralize all letters of credit; however, we have pledged approximately $925 million of inventory assets to our Senior Secured Revolving Credit Facility to collateralize potential future borrowings or letters of credit. The Secured Revolving Credit Facility contains certain covenants, including negative covenants and financial maintenance covenants, with which we are required to comply. Subject to our option to cash collateralize our obligations under the Secured Revolving Credit Facility upon certain conditions, our obligations under the Secured Revolving Credit Facility are secured by liens on substantially all of our personal property and a significant portion of our owned real properties. There were no outstanding borrowings under the Secured Revolving Credit Facility as of September 30, 2010 or 2009.

We have entered into stand-alone, cash-secured letter of credit agreements with banks to maintain our pre-existing letters of credit and to provide for the issuance of new letters of credit. The letter of credit arrangements combined with our Senior Secured Revolving Credit Facility provide a total letter of credit capacity of approximately $82.7 million. As of September 30, 2010 and 2009, we have secured letters of credit using cash collateral in restricted accounts totaling $38.8 million and $48.3 million, respectively. The Company may enter into additional arrangements to provide additional letter of credit capacity.

Senior Notes — The majority of our Senior Notes are unsecured or secured obligations ranking pari passu with all other existing and future senior indebtedness. Substantially all of our significant subsidiaries are full and unconditional guarantors of the Senior Notes and are jointly and severally liable for obligations under the Senior Notes and the Secured Revolving Credit Facility. Each guarantor subsidiary is a 100% owned subsidiary of Beazer Homes.

The indentures under which the Senior Notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At September 30, 2010, under the most restrictive covenants of each indenture, no portion of our retained earnings was available for cash dividends or for share repurchases. The indentures provide that, in the event of defined changes in control or if our consolidated tangible net worth falls below a specified level or in certain circumstances upon a sale of assets, we are required to offer to repurchase certain specified amounts of outstanding Senior Notes. Specifically, each indenture requires us to offer to purchase 10% of each series of Senior Notes at par if our consolidated tangible net worth (defined as stockholders’ equity less intangible assets) is less than $85 million at the end of any two consecutive fiscal quarters. If triggered and fully subscribed, this could result in our having to purchase $82.5 million of notes, based on the original amounts of the applicable notes; however, this amount may be reduced by certain Senior Note repurchases (potentially at less than par) made after the triggering date. As of September 30, 2010, our consolidated tangible net worth was $349.4 million.

On January 8, 2010, we redeemed our $8^{5}/_{8}$% Senior Notes due 2011 at par totaling $127.3 million. This redemption resulted in a loss on debt extinguishment of $0.9 million due primarily to the acceleration of debt discount and issuance costs. In May 2010, we redeemed our $8^{3}/_{8}$% Senior Notes due 2012 at par for a total of $303.6 million. This redemption resulted in a loss on debt extinguishment of $2.9 million, which includes the acceleration of debt issuance cost amortization. In addition, during the fiscal year ended September 30, 2010, we redeemed for cash all of the outstanding Convertible Senior Notes for a total of $155.5 million. The redemption resulted in a loss on debt extinguishment of $6.2 million, which includes the acceleration of debt issuance cost amortization.

On September 11, 2009, we issued and sold $250 million aggregate principal amount of our 12% Senior Secured Notes due 2017 (Senior Secured Notes) through a private placement. The Senior Secured Notes were issued at a price of 89.5% of their face amount (before underwriting and other issuance costs). Interest on the Senior Secured Notes is payable semi-annually in cash in arrears, commencing April 15, 2010. During the quarter ended March 31, 2010, we completed an offer to exchange substantially all of the $250 million 12% Senior Secured Notes due 2017 (the Senior Secured Notes), which were registered under the Securities Act of 1933. The Senior Secured Notes were issued under an indenture, dated as of September 11, 2009. The indenture contains covenants which, subject to certain exceptions, limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional indebtedness, engage in certain asset sales, make certain types of restricted payments, engage in transactions with affiliates and create liens on assets of the Company. Upon a change of control, as defined, the indenture requires us to make an offer to repurchase the Senior Secured Notes at 101% of their principal amount, plus accrued and unpaid interest. If we sell certain assets and do not reinvest the net proceeds in compliance with the indenture, then we must use the net proceeds to offer to repurchase the Senior Secured Notes at 100% of their principal amount, plus accrued and unpaid interest. After October 15, 2012, we may redeem some or all of the Senior Secured Notes at redemption prices set forth in the indenture. The Senior Secured Notes are secured on a second priority basis by, subject to exceptions specified in the related agreements, substantially all of the tangible and intangible assets of the Company as defined.

In May 2010, we issued $300 million aggregate principal amount of $9^{1}/_{8}$% Senior Notes due June 15, 2018. Interest on these notes is payable semi-annually in cash in arrears, commencing on June 15, 2010. These notes are unsecured and rank equally with our unsecured indebtedness. We may, at our option, redeem the $9^{1}/_{8}$% Senior Notes in whole or in part at any time at specified redemption prices which include a “make whole” provision through June 15, 2014.

Also in May 2010, we issued 3 million 7.25% tangible equity units which were comprised of prepaid stock purchase contracts (see Note 11) and senior amortizing notes. The amortizing notes had an aggregate initial principal amount of $15,738,000 as determined under the relative fair value method. These notes will pay quarterly installments of principal and interest aggregating approximately $1.4 million per quarter, beginning August 15, 2010 through August 15, 2013, and in the aggregate, these installments will be equivalent to a 7.25% cash payment per year with respect to each $25 stated amount of the TEUs. The amortizing notes will be unsecured senior obligations and will rank equally with all of our other unsecured indebtedness. If we elect to settle the prepaid stock purchase contracts early, we may be required to repurchase certain amortizing notes, plus accrued and unpaid interest as provided for in the TEU agreement.

During the second half of fiscal 2009, we voluntarily repurchased in open-market transactions $384.8 million principal amount of our Senior Notes ($52.7 million of $8^{5}/_{8}$% Senior Notes due 2011, $36.4 million of $8^{3}/_{8}$% Senior Notes due 2012, $35.6 million of $6^{1}/_{2}$% Senior Notes due 2013, $140.5 million of $6^{7}/_{8}$% Senior Notes due 2015, $94.1 million of $8^{1}/_{8}$% Senior Notes due 2016, and $25.5 million of Convertible Senior Notes due 2024). The aggregate purchase price was $247.7 million, plus accrued and unpaid interest as of the purchase date. The repurchase of the notes resulted in a $130.2 million pre-tax gain on extinguishment of debt, net of unamortized discounts and debt issuance costs related to these notes. Senior Notes purchased by the Company were cancelled.

As of September 30, 2010, we were in compliance with all covenants under our Senior Notes.

Mandatory Convertible Subordinated Notes — On January 12, 2010, we issued $57.5 million aggregate principal amount of $7^{1}/_{2}$% Mandatory Convertible Subordinated Notes due 2013 (the Mandatory Convertible Subordinated Notes). Interest on the Mandatory Convertible Subordinated Notes is payable quarterly in cash in arrears, commencing April 15, 2010. Holders of the Mandatory Convertible Subordinated Notes have the right to convert their notes, in whole or in part, at any time prior to maturity, into shares of our common stock at a variable conversion rate based on the price of our stock. The conversion rate will range from 4.4547 to 5.4348 shares per $25 principal amount of notes. On the stated maturity date, the Mandatory Convertible Subordinated Notes, unless previously converted, will automatically convert into shares of our common stock, based on the conversion rate applicable on that date.

Junior Subordinated Notes — On June 15, 2006, we completed a private placement of $103.1 million of unsecured junior subordinated notes which mature on July 30, 2036 and are redeemable at par on or after July 30, 2011 and pay a fixed rate of 7.987% for the first ten years ending July 30, 2016. Thereafter, the securities have a floating interest rate equal to three-month LIBOR plus 2.45% per annum, resetting quarterly. These notes were issued to Beazer Capital Trust I, which simultaneously issued, in a private transaction, trust preferred securities and common securities with an aggregate value of $103.1 million to fund its purchase of these notes. The transaction is treated as debt in accordance with GAAP. The obligations relating to these notes and the related securities are subordinated to the Secured Revolving Credit Facility and the Senior Notes.

On January 15, 2010, we completed an exchange of $75 million of our trust preferred securities issued by Beazer Capital Trust I for a new issue of $75 million of junior subordinated notes due July 30, 2036 issued by the Company (the New Junior Notes). The exchanged trust preferred securities and the related junior subordinated notes issued in 2006 were cancelled effective January 15, 2010. The material terms of the New Junior Notes are identical to the terms of the original trust securities except that when the New Junior Notes change from a fixed rate to a variable rate in August 2016, the variable rate is subject to a floor of 4.25% and a cap of 9.25%. In addition, the Company now has the option to redeem the New Junior Notes beginning on June 1, 2012 at 75% of par value and beginning on June 1, 2022, the redemption price of 75% of par value will increase by 1.785% per year.

The aforementioned exchange has been accounted for as an extinguishment of debt as there has been a significant modification of cash flows and, as such, the New Junior Notes were recorded at their estimated fair value at the exchange date. Over the remaining life of the New Junior Notes, we will increase their carrying value until this carrying value equals the face value of the notes. During the fiscal year ended September 30, 2010, we recorded a pre-tax gain on extinguishment of $53.6 million in connection with this exchange. As of September 30, 2010, unamortized accretion was $53.3 million and will be amortized over the remaining life of the notes.

Other Secured Notes Payable — We periodically acquire land through the issuance of notes payable. As of September 30, 2010 and 2009, we had outstanding notes payable of $10.8 million and $12.5 million, respectively, primarily related to land acquisitions. These notes payable expire at various times through 2013 and had fixed rates ranging from 7.3% to 9.0% at September 30, 2010. These notes are secured by the real estate to which they relate. During fiscal 2009, we negotiated a reduced payoff of two of our secured notes payable totaling $39.2 million and recorded gains on debt extinguishment totaling $20.1 million which is included in gain on extinguishment of debt in the accompanying Consolidated Statements of Operations for the fiscal year ended September 30, 2009.

The agreements governing these secured notes payable contain various affirmative and negative covenants. There can be no assurance that we will be able to obtain any future waivers or amendments that may become necessary without significant additional cost or at all. In each instance, however, a covenant default can be cured by repayment of the indebtedness.

Model Home Financing Obligations — Due to a continuing interest in certain model home sale-leaseback transactions, we had recorded $30.4 million of debt as of September 30, 2009 related to these "financing" transactions in accordance with SFAS 98 (As amended), *Accounting for Leases* (ASC 840). These model home transactions incurred interest at a variable rate of one-month LIBOR plus 450 basis points, 4.8% as of September 30, 2009. The model homes financed in these transactions were recorded as inventory until such homes were sold to the ultimate homebuyer and the related financing obligation was repaid. At such time, we recognized revenue and related costs, and the inventory associated with the model homes and the model home financing obligations was reduced. As of September 30, 2010, there were no remaining model home financing obligations. The sale transaction above is reflected as cash provided by operating activities and the reduction in the model home financing obligation is presented as cash used in financing activities in the accompanying Consolidated Statements of Cash Flows.

(8) Fair Value Measurements

ASC 820 *Fair Value Measurement and Disclosures* provides guidance for using fair value to measure assets and liabilities and applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. ASC 820 includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data.

As of September 30, 2010, we had no assets or liabilities in our Consolidated Balance Sheets that were required to be measured at fair value on a recurring basis. Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recovered. ASC 820 establishes a fair value hierarchy as follows: Level 1 — Quoted prices in active markets for identical assets or liabilities; Level 2 — Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly through corroboration with market data; Level 3 — Unobservable inputs that reflect our own estimates about the assumptions market participants would use in pricing the asset or liability. The following table presents our assets measured at fair value on a non-recurring basis for each hierarchy level and represents only those assets whose carrying values were adjusted to fair value during fiscal year 2010 (*in thousands*):

	Level 1	Level 2	Level 3	Total
Development projects in progress	$—	$—	$72,806	$72,806
Land held for sale	—	—	2,419	2,419

As previously disclosed, we review our long-lived assets, including inventory for recoverability when factors that indicate an impairment may exist, but no less than quarterly. Fair value is based on estimated cash flows discounted for market risks associated with the long-lived assets and represents the fair value immediately after impairment, or the last impairment taken for communities impaired multiple times. During the fiscal year ended September 30, 2010, we recorded total inventory impairments of $48.9 million for development projects in progress and total inventory impairments for land held for sale of $2.1 million. See Notes 1 and 4 for additional information related to the fair value accounting for the assets listed above.

The fair values of our investments in unconsolidated joint ventures are determined primarily using a discounted cash flow model to value the underlying net assets of the respective entities. During the fiscal year ended September 30, 2010, we recorded the writedown of our investment in certain of our unconsolidated joint ventures to a fair value of $0, resulting in impairments of $24.3 million, $15.5 million of which is included in loss from discontinued operations, net of tax in the accompanying Consolidated Statement of Operations (see Note 3 for additional information related to the fair value accounting for our unconsolidated joint ventures).

Determining which hierarchical level an asset or liability falls within requires significant judgment. We evaluate our hierarchy disclosures each quarter.

The fair value of our cash and cash equivalents, restricted cash, accounts receivable, trade accounts payable, other liabilities and other secured notes payable approximate their carrying amounts due to the short maturity of these assets and liabilities. Obligations related to consolidated inventory not owned are recorded at estimated fair value. The fair value of our model home financing obligations approximate their carrying amounts due to the variable interest rates associated with those obligations. The carrying values and estimated fair values of other financial assets and liabilities were as follows *(in thousands):*

	As of September 30, 2010		As of September 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior Notes	**$ 1,095,783**	**$ 1,093,855**	$ 1,362,902	$ 1,200,612
Mandatory Convertible Subordinated Notes	**57,500**	**61,525**	—	—
Junior Subordinated Notes	**47,470**	**47,470**	103,093	52,377
	$ 1,200,753	**$ 1,202,850**	$ 1,465,995	$ 1,252,989

The estimated fair values shown above for our publicly held Senior Notes have and Mandatory Convertible Subordinated Notes been determined using quoted market rates. The fair value of our publicly held junior subordinated notes is estimated by discounting scheduled cash flows through maturity. The discount rate is estimated using market rates currently being offered on loans with similar terms and credit quality. Judgment is required in interpreting market data to develop these estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange.

(9) Income Taxes

The (benefit) provision for income taxes from continuing operations consists of *(in thousands)*:

	Fiscal Year Ended September 30,		
	2010	2009	2008
Current federal	**$ (4,528)**	$ (13,024)	$ (139,877)
Current state	**65**	(162)	(3,005)
Deferred federal	**(114,151)**	1,459	204,601
Deferred state	**259**	3,197	7,232
Total	**$ (118,355)**	$ (8,530)	$ 68,951

The (benefit) provision for income taxes from continuing operations differs from the amount computed by applying the federal income tax statutory rate as follows *(in thousands)*:

	Fiscal Year Ended September 30,		
	2010	2009	2008
Income tax computed at statutory rate	**$ (51,895)**	$ (64,355)	$ (248,797)
State income taxes, net of federal benefit	**(5,756)**	(2,936)	6,542
Penalties	—	5,146	—
Impairment of non-deductible goodwill	—	5,157	16,446
Valuation allowance	**(63,912)**	45,128	298,080
Other, net	**3,208**	3,330	(3,320)
Total	**$ (118,355)**	$ (8,530)	$ 68,951

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Deferred tax assets and liabilities are composed of the following *(in thousands)*:

	September 30, 2010	September 30, 2009
Deferred tax assets:		
Warranty and other reserves	**$ 15,316**	$ 22,407
Incentive compensation	**19,170**	15,660
Property, equipment and other assets	**2,137**	4,803
Federal and state tax carryforwards	**206,119**	186,088
Inventory adjustments	**183,235**	191,119
FIN 48	**39,279**	39,083
Deferred revenue	**—**	132
Other	**3,578**	1,567
Total deferred tax assets	**468,834**	460,859
Deferred tax liabilties:		
Deferred revenues	**(57,247)**	—
Total deferred tax liabilities	**(57,247)**	—
Net deferred tax assets before valuation allowance	**411,587**	460,859
Valuation allowance	**(403,808)**	(453,339)
Net deferred tax assets	**$ 7,779**	$ 7,520

Our fiscal 2010 tax benefit from continuing operations of $118.4 million and $14.8 million from discontinued operations primarily resulted from *The Worker, Homeownership and Business Act of 2009* which allowed us to carry back a portion of our fiscal 2009 federal tax loss. This carry back claim allowed us to claim a refund of taxes paid in prior years and to monetize a deferred tax asset that had previously had a valuation allowance recorded against it. The difference between the carry back claim and our tax benefit results from changes to our estimates of future sources of taxable income and unrecognized tax benefits. Likewise, the principal difference between our effective rate and the U.S. federal statutory rate relates to the carry back of our federal tax losses and valuation allowance.

Our income tax receivable was $7.7 million and $9.9 million as of September 30, 2010 and 2009, respectively. This receivable relates primarily to the carry back of losses incurred in fiscal 2008 to open tax years in which we previously paid significant income taxes. During fiscal 2010 and 2009, we received $135.8 million and $172.5 million of federal and state income tax refunds related to prior tax years in which we previously paid taxes.

At September 30, 2010, we had deferred tax assets totaling $132.0 million for federal net operating loss carryforwards, with losses expiring between 2028 and 2030. We also had deferred tax assets totaling $64.3 million for state net operating loss carryforwards, with losses expiring through 2030.

Deferred 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. In accordance with ASC 740, we evaluate our deferred tax assets, including net operating losses, to determine if a valuation allowance is required. ASC 740-10 requires that companies assess whether a valuation allowance should be established based on the consideration of all available evidence using a “more likely than not” standard. In making such judgments, significant weight is given to evidence that can be objectively verified. ASC 740-10 provides that a cumulative loss in recent years is significant evidence in considering whether deferred tax assets are realizable and also restricts the amount of reliance on projections of future taxable income to support the recovery of deferred tax assets. Therefore, during fiscal 2008, we determined that we did not meet the more likely than not standard that substantially all of our deferred tax assets would be realized and, therefore, we established a valuation allowance for substantially all of our deferred tax assets.

Given the prolonged economic downturn affecting the homebuilding industry and the continued uncertainty regarding the recoverability of the remaining deferred tax assets, we continue to believe that a valuation allowance is needed for substantially all of our deferred tax assets. In future periods, the allowance could be modified based on sufficient evidence indicating that more likely than not a portion of our deferred tax assets will be realized. Changes in existing tax laws could also affect actual tax results and the valuation of deferred tax assets over time.

Further, we experienced an “ownership change” as defined in Section 382 of the Internal Revenue Code (Section 382) as of January 12, 2010. Section 382 contains rules that limit the ability of a company that undergoes an “ownership change” to utilize its net operating loss carryforwards (NOLs) and certain built-in losses or deductions recognized during the five-year period after the ownership change to offset future taxable income. Therefore, our ability to utilize our pre-ownership change net operating loss carryforwards and recognize certain built-in losses or deductions is limited by Section 382 to an estimated maximum amount of approximately $11.4 million ($4 million tax-effected) annually. Certain deferred tax assets are not subject to any limitation imposed by Section 382.

Due to the Section 382 limitation and the maximum carryforward period of our NOLs, we are unable to fully recognize certain deferred tax assets. Accordingly, during fiscal 2010, we reduced our gross deferred tax assets and corresponding valuation allowance by $5.9 million. As of June 30, 2010, we had disclosed that up to $174.3 million of gross deferred tax assets related to accrued losses on our inventory may have been unavailable due to the limitation imposed by Section 382. Based on certain economic results during fiscal 2010, we have revised our previous estimate and, after adjusting for certain state NOLs and other deferred tax assets which may not be recoverable, we now estimate that up to $183.2 million of gross deferred tax assets may be unavailable due to the limitation imposed by Section 382. However, based on our annual assessment, our current realization projections for our built in losses support that only $61.2 million of our deferred tax asset is likely to be unavailable under Section 382. As future economic conditions unfold, we will be able to confirm that certain deferred tax assets will not provide any future tax benefit. At such time, we will accordingly remove any deferred tax asset and corresponding valuation allowance.

Considering the limitation imposed by Section 382, the table below depicts the classifications of our deferred tax assets:

	September 30, 2010 (In thousands)
Deferred tax assets:	
Subject to annual limitation	$ 79,492
Generally not subject to annual limitation	206,134
Certain components likely to be subject to annual limitation	183,208
Total deferred tax assets	468,834
Deferred tax liabilities	(57,247)
Net deferred tax assets before valuation allowance	411,587
Valuation allowance	(403,808)
Net deferred tax assets	$ 7,779

Therefore, based on the classification of which deferred tax assets are likely to be impacted by our annual limitation, as of September 30, 2010, we had deferred tax assets, net of $57.2 million of deferred tax liabilities, of $411.6 million. While the actual realization of the deferred tax assets is difficult to predict and is dependent on future events, as evidenced by our current valuation allowance, we currently anticipate that between $228 million and $350 million of these deferred tax assets may be available even after consideration of the Section 382 imposed limitation. Further, we expect to continue to add to our gross deferred tax assets for anticipated NOLs that will not be limited by Section 382.

As of September 30, 2010, we had $47.3 million of gross unrecognized tax benefits, of which $4.4 million, if recognized, would affect our effective tax rate. As of September 30, 2009, we had $41.8 million of gross unrecognized tax benefits, of which $5.3 million would affect the effective rate if recognized. Additionally, we had $6.0 million and $8.0 million of accrued interest and penalties at September 30, 2010 and 2009, respectively. In fiscal years 2010 and 2009, our income tax benefit included tax related interest. Such amounts totaled $1.9 million in fiscal 2010 and $4.8 million in fiscal 2009.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at the beginning and end of fiscal 2010, fiscal 2009 and fiscal 2008 is as follows (*in thousands*):

	Fiscal Year Ended September 30,		
	2010	**2009**	**2008**
Balance at beginning of year	**$41,848**	$57,916	$ 72,500
Reductions in tax positions related to current year	**(3,435)**	(3,527)	891
Additions for tax positions related to prior years	**11,533**	211	12,232
Reductions for tax positions of prior years	**(289)**	(219)	(22,440)
Settlements with taxing authorities	**(319)**	(8,572)	(3,767)
Lapse of statute of limitations	**(2,067)**	(3,961)	(1,500)
Balance at end of year	**$47,271**	$41,848	$ 57,916

In the normal course of business, we are subject to audits by federal and state tax authorities regarding various tax liabilities. The IRS is currently conducting a routine examination of our federal income tax returns for fiscal year 2007 through 2009, and certain state taxing authorities are examining various fiscal years. The final outcome of these examinations is not yet determinable and therefore the change that could occur within our unrecognized tax benefits within the next 12 months cannot be estimated at this time.

The statute of limitations for our major tax jurisdictions remains open for examination for fiscal years 2006 and subsequent years. During fiscal 2010, we completed a number of state examinations without any material effect on our net losses.

(10) Leases

We are obligated under various noncancelable operating leases for office facilities, model homes and equipment. Rental expense under these agreements, which is included in selling, general and administrative expenses, amounted to approximately $10.4 million, $12.2 million and $17.1 million for the years ended September 30, 2010, 2009 and 2008, respectively. This rental expense excludes model home transactions accounted for as financing arrangements in accordance with SFAS 98 as discussed in Note 7 and expense related to our discontinued operations. As of September 30, 2010, future minimum lease payments under noncancelable operating lease agreements are as follows *(in thousands)*:

Year Ending September 30,	
2011	$ 7,534
2012	6,373
2013	5,419
2014	2,461
2015	1,643
Thereafter	1,253
Total	$24,683

(11) Stockholders' Equity

Preferred Stock. We currently have no shares of preferred stock outstanding.

Common Stock Transactions

On January 12, 2010, we closed on our underwritten public offering of 22,425,000 shares of Beazer common stock. The Company utilized 3.4 million shares of treasury stock and received net proceeds of $97.8 million from the offering, after underwriting discounts, commissions and transaction expenses.

On May 10, 2010, we concurrently closed on our underwritten public offerings of 12.5 million shares of Beazer common stock and 3.0 million 7.25% tangible equity units (TEUs) and received net proceeds of $141.6 million from these two offerings, after underwriting discounts, commissions and transaction expenses. Each TEU is comprised of a prepaid stock purchase contract and a senior amortizing note due August 15, 2013 (see Note 7 for discussion of the amortizing notes) which are legally separable and detachable. The prepaid stock purchase contracts will convert to Beazer Homes stock on August 15, 2013 based on the applicable settlement factor, as defined in the offering agreement, which will be between 3.5126 shares per unit and 4.3029 shares per unit. We have accounted for the prepaid stock purchase contracts as equity and recorded $57.4 million, the initial fair value of these contracts, based on the relative fair value method, as additional paid in capital as of September 30, 2010.

Common Stock Repurchases. During fiscal 2010, 2009 and fiscal 2008, we did not repurchase any shares in the open market. Any future stock repurchases as allowed by our debt covenants must be approved by the Company's Board of Directors or its Finance Committee.

During fiscal 2010, 2009 and 2008, 32,944, 14,393 and 7,255 shares, respectively, were surrendered to us by employees in payment of minimum tax obligations upon the vesting of restricted stock and restricted stock units under our stock incentive plans. We valued the stock at the market price on the date of surrender, for an aggregate value of approximately $160,000, or approximately $5 per share in fiscal 2010, $21,000, or less than $2 per share in fiscal 2009 and $52,000, or approximately $7 per share in fiscal 2008.

Dividends. Effective November 2, 2007, our Board of Directors suspended payment of quarterly dividends. The Board concluded that suspending dividends, which will allow us to conserve approximately $16 million of cash annually, was a prudent effort in light of the continued deterioration in the housing market. In addition, the indentures under which our senior notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At September 30, 2010, under the most restrictive covenants of each indenture, none of our retained earnings was available for cash dividends. Hence, there were no dividends paid in fiscal 2010, 2009 or fiscal 2008.

(12) Retirement Plan and Incentive Awards

401(k) Retirement Plan. We sponsor a 401(k) plan (the Plan). Substantially all employees are eligible for participation in the Plan after completing one calendar month of service with us. Participants may defer and contribute to the Plan from 1% to 80% of their salary with certain limitations on highly compensated individuals. We match 50% of the first 6% of the participant's contributions. The participant's contributions vest 100% immediately, while our contributions vest over five years. Our total contributions for the fiscal years ended September 30, 2010, 2009 and 2008 were approximately $1.6 million, $1.1 million and $1.7 million, respectively. During fiscal 2010, 2009 and 2008, participants forfeited $0.1 million, $0.7 million and $1.3, million, respectively, of unvested matching contributions.

Deferred Compensation Plan. During fiscal 2002, we adopted the Beazer Homes USA, Inc. Deferred Compensation Plan (the DCP Plan). The DCP Plan is a non-qualified deferred compensation plan for a select group of executives and highly compensated employees. The DCP Plan allows the executives to defer current compensation on a pre-tax basis to a future year, up until termination of employment. The objectives of the DCP Plan are to assist executives with financial planning and capital accumulation and to provide the Company with a method of attracting, rewarding, and retaining executives. Participation in the DCP Plan is voluntary. Beazer Homes may voluntarily make a contribution to the participants' DCP accounts. Deferred compensation assets of $9.9 million and $12.7 million and deferred compensation liabilities of $10.7 million and $13.2 million as of September 30, 2010 and 2009, respectively, are included in other assets and other liabilities on the accompanying Consolidated Balance Sheets. The decrease in the deferred compensation assets and liabilities between fiscal 2009 and fiscal 2010 relates to employee elections to withdraw funds from the plan, forfeitures of matching contributions related to terminated employees and market losses on investments held within the plan. For the years ended September 30, 2010, 2009 and 2008, Beazer Homes contributed approximately $273,000, $355,000 and $517,000, respectively, to the DCP Plan.

Stock Incentive Plans. During fiscal 2010, we adopted the 2010 Stock Incentive Plan (the 2010 Plan) because our 1999 Stock Incentive Plan (the 1999 Plan) had expired. At September 30, 2010, we had reserved approximately 6.6 million shares of common stock for issuance under our various stock incentive plans, of which approximately 4 million shares are available for future grants.

Stock Option and SSAR Awards. We have issued various stock option and SSAR awards to officers and key employees under both the 2010 Plan and the 1999 Plan. Stock options have an exercise price equal to the fair market value of the common stock on the grant date, vest three years after the date of grant and may be exercised thereafter until their expiration, subject to forfeiture upon termination of employment as provided in the applicable plan. Under certain conditions of retirement, eligible participants may receive a partial vesting of stock options. Stock options granted prior to fiscal 2004, generally expire on the tenth anniversary from the date such options were granted. Beginning in fiscal 2004, newly granted stock options expire on the seventh anniversary from the date such options were granted. SSARs generally vest three years after the date of grant, have an exercise price equal to the fair market value of the common stock on the date of grant and are subject to forfeiture upon termination of employment as provided in the applicable plan. Under certain conditions of retirement, eligible participants may receive a partial vesting of SSARs.

The following table summarizes stock options and SSARs outstanding as of September 30 and activity during the fiscal years ended September 30:

Fiscal Year Ended September 30,	2010 Shares	2010 Weighted Average Exercise Price	2009 Shares	2009 Weighted Average Exercise Price	2008 Shares	2008 Weighted Average Exercise Price
Outstanding at beginning of year	**2,108,914**	**$33.07**	1,848,995	$45.78	2,052,379	$45.01
Granted	**1,006,145**	**5.69**	671,600	3.94	—	—
Exercised	—	—	—	—	—	—
Forfeited	**(38,794)**	**18.16**	(34,761)	44.28	(111,670)	46.55
Cancelled/exchanged	**(465,933)**	**33.04**	(292,969)	43.05	—	—
Expired	**(31,978)**	**27.51**	(83,951)	40.41	(91,714)	27.71
Outstanding at end of year	**2,578,354**	**$22.69**	2,108,914	$33.07	1,848,995	$45.78
Exercisable at end of year	**770,658**	**$41.59**	773,869	$40.40	704,762	$29.31

The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model based on the following assumptions:

Fiscal Year Ended September 30,	2010	2009
Expected life of options	**4.8 years**	5.06 years
Expected volatility	**50.00%**	99.49%
Expected discrete dividends	—	—
Weighted average risk-free interest rate	**2.33%**	2.75%
Weighted average fair value	**$ 2.55**	$ 2.97

The expected volatility is based on the historic returns of our stock and the implied volatility of our publicly-traded options. We assumed no dividends would be paid since our Board of Directors has suspended payment of dividends indefinitely. The risk-free interest rate is based on the term structure of interest rates at the time of the option grant and we have relied upon a combination of the observed exercise behavior of our prior grants with similar characteristics, the vesting schedule of the current grants, and an index of peer companies with similar grant characteristics to determine the expected life of the options.

At September 30, 2010, 2,302,933 SSARs/stock options were vested or expected to vest in the future with a weighted average exercise price of $20.55 and a weighted average expected life of 3.07 years. At September 30, 2010, the aggregate intrinsic value of SSARs/stock options outstanding was approximately $124,000. The aggregate intrinsic value of SSARs/stock options vested and expected to vest in the future was approximately $110,000 and the aggregate intrinsic value of exercisable SSARs/stock options was approximately $41,000. The intrinsic value of a stock option/SSAR is the amount by which the market value of the underlying stock exceeds the exercise price of the option/SSAR.

During the first quarter of fiscal 2010, certain executive officers and directors elected to relinquish 465,933 vested and outstanding options that had exercise prices above $20 per share in order to provide additional shares for use in the Company's January 2010 public stock offering.

On August 5, 2008, at the Company's annual meeting of stockholders, the stockholders voted to approve amendments to the 1999 Plan to authorize a stock option/SSAR exchange program for eligible employees other than executive officers and directors. On August 4, 2009 we offered to exchange stock options/SSARs with exercise prices ranging from $26.51 to $62.02 per share for newly issued restricted shares of common stock based on the exercise price of the eligible awards exchanged. This exchange was structured to be a value for value exchange and, as of the grant date, there was no incremental expense recorded related to this exchange. Stock options/SSARs to purchase 292,969 shares of our common stock were cancelled and exchanged for 90,405 restricted shares of stock with a grant price of $4.16.

The following table summarizes information about stock options and SSARs outstanding and exercisable at September 30, 2010:

	Stock Options/SSARs Outstanding			Stock Options/SSARs Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Contractual Remaining Life (Years)	Weighted Average Exercise Price
$3 - $9	1,659,344	6.32	$ 5.00	217,733	5.87	$ 3.94
$18 - $21	51,003	2.27	19.67	51,003	2.27	19.67
$24 - $29	18,000	1.35	28.81	18,000	1.35	28.81
$30 - $39	269,788	3.53	34.05	93,318	3.44	34.13
$40 - $49	11,374	3.36	43.10	11,374	3.36	43.10
$68 - $69	568,845	2.34	68.56	379,230	2.34	68.56
$3 - $69	2,578,354	5.02	$22.69	770,658	3.46	$41.59

Nonvested Stock Awards. We have made various non-vested stock awards to officers and key employees under the 2010 Plan and the 1999 Plan. All restricted stock is awarded in the name of the participant, who has all the rights of other common stockholders with respect to such stock, subject to restrictions and forfeiture provisions. Accordingly, such nonvested stock awards are considered outstanding shares. Restricted stock awards generally vest from three to seven years after the date of grant. Certain restricted stock awards provide for accelerated vesting if certain performance goals are achieved.

In fiscal 2009 as discussed above, we exchanged certain stock options/SSARs to purchase shares of our common stock for restricted shares of common stock. These restricted shares will vest 50% on the first anniversary of the exchange and 50% on the second anniversary of the exchange. We valued these restricted shares in accordance with SFAS 123R based on the remaining unamortized cost of the exchanged stock options/SSARs. The weighted average exchange price fair value of these restricted shares was $4.16 per share. Our estimated fair value of these restricted shares will be amortized over the applicable vesting period.

Prior to fiscal 2008, participants in certain of our management incentive compensation programs could defer a portion of their earned annual incentive compensation under the applicable plan pursuant to the terms of the Corporate Management Stock Purchase Program (the CMSPP). The deferred amounts are represented by restricted stock units, each of which represents the right to receive one share of Beazer Homes' common stock upon vesting. Such shares are issued after a three-year vesting period, subject to an election for further deferral by the participant. The number of restricted stock units granted is based on a discount to the market value of our common stock at the time the bonus is earned. Should the participant's employment terminate during the vesting period, the deferred incentive compensation is settled in cash or cash and stock, depending on the cause of termination as set forth in the CMSPP or applicable deferred compensation plan. Due to low availability of shares at the beginning of fiscal 2008 under the 1999 Plan, from which shares under CMSPP are issued, the Compensation Committee suspended this program until further notice.

Activity relating to the nonvested restricted stock awards for the fiscal year ended September 30, 2010 is as follows:

	Shares	Weighted Average Fair Value
Beginning of year	1,126,880	$ 27.66
Granted	1,006,145	5.69
Vested	(201,514)	33.21
Forfeited	(91,524)	40.39
End of year	1,839,987	$ 14.41

Compensation expense for the nonvested restricted stock awards totaled $5.6 million, $6.6 million and $6.2 million for the fiscal years ended September 30, 2010, 2009 and 2008, respectively. The weighted average grant-date fair value of nonvested restricted stock awards granted during the fiscal years ended September 30, 2010 and 2009, excluding shares granted in the 2009 exchange offer, was $5.69 and $3.98, respectively.

(13) Contingencies

Beazer Homes and certain of its subsidiaries have been and continue to be named as defendants in various construction defect claims, complaints and other legal actions. The Company is subject to the possibility of loss contingencies arising in its business and such contingencies are accounted for in accordance with SFAS 5, *Accounting for Contingencies* (ASC 7). In determining loss contingencies, we consider the likelihood of loss as well as the ability to reasonably estimate the amount of such loss or liability. An estimated loss is recorded when it is considered probable that a liability has been incurred and when the amount of loss can be reasonably estimated.

Warranty Reserves. We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined performance quality standards. In addition, we provide a limited warranty (generally ranging from a minimum of five years up to the period covered by the applicable statute of repose) covering only certain defined construction defects. We also provide a defined structural warranty with single-family homes and townhomes in certain states.

Since we subcontract our homebuilding work to subcontractors whose contracts generally include an indemnity obligation and a requirement that certain minimum insurance requirements be met, including providing us with a certificate of insurance prior to receiving payments for their work, many claims relating to workmanship and materials are the primary responsibility of the subcontractors.

Warranty reserves are included in other liabilities and the provision for warranty accruals is included in home construction and land sales expenses in the consolidated financial statements. We record reserves covering anticipated warranty expense for each home closed. Management reviews the adequacy of warranty reserves each reporting period based on historical experience and management's estimate of the costs to remediate the claims and adjusts these provisions accordingly. Our review includes a quarterly analysis of the historical data and trends in warranty expense by operating segment. An analysis by operating segment allows us to consider market specific factors such as our warranty experience, the number of home closings, the prices of homes, product mix and other data in estimating our warranty reserves. In addition, our analysis also contemplates the existence of any non-recurring or community-specific warranty related matters that might not be contemplated in our historical data and trends.

As of September 30, 2010, our warranty reserves include an estimate for the repair of less than 60 homes in Florida where certain of our subcontractors installed defective Chinese drywall in homes that were delivered during our 2006 and 2007 fiscal years. As of September 30, 2010, we have completed repairs on approximately 52% of these homes and have begun repairing a number of the remaining homes. We are inspecting additional homes in order to determine whether they also contain the defective Chinese drywall. The outcome of these inspections and potential future inspections or an unexpected increase in repair costs may require us to increase our warranty reserve in the future. However, the amount of additional liability, if any, is not reasonably estimable. In addition, the Company has been named as a defendant in a number of legal actions related to defective Chinese drywall (see Other Matters below).

As a result of our analyses, we adjust our estimated warranty liabilities. While we believe that our warranty reserves are adequate as of September 30, 2010, historical data and trends may not accurately predict actual warranty costs, or future developments could lead to a significant change in the reserve. Our warranty reserves are as follows (*in thousands*):

	Fiscal Year Ended September 30,		
	2010	**2009**	**2008**
Balance at beginning of period	**$ 30,100**	$ 40,822	$ 57,053
Accruals for warranties issued	**6,827**	7,543	14,909
Changes in liability related to warranties existing in prior periods	**3,308**	(3,294)	(3,279)
Payments made	**(14,414)**	(14,971)	(27,861)
Balance at end of period	**$ 25,821**	$ 30,100	$ 40,822

Litigation

ERISA Class Actions. On April 30, 2007, a putative class action complaint was filed on behalf of a purported class consisting of present and former participants and beneficiaries of the Beazer Homes USA, Inc. 401(k) Plan against the Company and certain employees and directors of the Company. The complaint alleges breach of fiduciary duties, including those set forth in the Employee Retirement Income Security Act (ERISA), as a result of the investment of retirement monies held by the 401(k) Plan in common stock of Beazer Homes at a time when participants were allegedly not provided timely, accurate and complete information concerning Beazer Homes. Four additional lawsuits were filed subsequently making similar allegations and the court consolidated these five lawsuits. The parties have reached a settlement which will be largely funded by insurance proceeds and is subject to court approval. Under the terms of the settlement, the lawsuit will be dismissed with prejudice and there will be a release of all claims. The court has preliminarily approved the settlement and a hearing is scheduled for November 15, 2010 to consider final approval of the settlement. The Company has accrued a liability for such matter which is not material to the Company’s financial position or results of operations and is included in the total litigation accrual discussed below.

Homeowners Class Action Lawsuits and Multi-Plaintiff Lawsuit. A putative class action was filed on April 8, 2008 in the United States District Court for the Middle District of North Carolina, Salisbury Division, against Beazer Homes, U.S.A., Inc., Beazer Homes Corp. and Beazer Mortgage Corporation. The Complaint alleges that Beazer violated the Real Estate Settlement Practices Act (RESPA) and North Carolina Gen. Stat. § 75-1.1 by (1) improperly requiring homebuyers to use Beazer-owned mortgage and settlement services as part of a down payment assistance program, and (2) illegally increasing the cost of homes and settlement services sold by Beazer Homes Corp. The purported class consists of all residents of North Carolina who purchased a home from Beazer, using mortgage financing provided by and through Beazer that included seller-funded down payment assistance, between January 1, 2000 and October 11, 2007. The parties have reached an agreement to settle the lawsuit, which will be partially funded by insurance proceeds and is subject to court approval. Under the terms of the settlement, the action will be dismissed with prejudice, and the Company and all other defendants will not admit any liability. The Company has accrued a liability for such matter which is not material to the Company's financial position or results of operations and is included in the total litigation accrual discussed below.

Beazer Homes and several subsidiaries were named as defendants in a putative class action lawsuit originally filed on March 12, 2008, in the Superior Court of the State of California, County of Placer. The purported class is defined as all persons who purchased a home from the defendants or their affiliates, with the assistance of a federally related mortgage loan, from March 25, 1999, to the present where Security Title Insurance Company received any money as a reinsurer of the transaction. The complaint alleges that the defendants violated RESPA and asserts claims under a number of state statutes alleging that defendants engaged in a uniform and systematic practice of giving and/or accepting fees and kickbacks to affiliated businesses including affiliated and/or recommended title insurance companies. The complaint also alleges a number of common law claims. Plaintiffs seek an unspecified amount of damages under RESPA, unspecified statutory, compensatory and punitive damages and injunctive and declaratory relief, as well as attorneys' fees and costs. Defendants removed the action to federal court and plaintiffs filed a Second Amended Complaint which substituted new named-plaintiffs. The Company filed a motion to dismiss the Second Amended Complaint, which the federal court granted in part. The federal court dismissed the sole federal claim, declined to rule on the state law claims, and remanded the case to the Superior Court of Placer County. The Company filed a supplemental motion to dismiss/demurrer regarding the remaining state law claims in the Second Amended Complaint and the state court sustained defendants' demurrer but granted the plaintiffs leave to amend their claims. Plaintiffs thereafter filed a Third Amended Complaint which defendants removed to federal court based on the presence of a federal question and pursuant to the Class Action Fairness Act and thereafter moved to dismiss. Plaintiffs filed a motion to remand the case. The federal court granted the plaintiffs' motion and remanded the case to the Superior Court of Placer County. The defendants filed a petition with the U.S. Court of Appeals for the Ninth Circuit for permission to appeal the remand order and a demurrer in state court as to all counts of the Third Amended Complaint. The state court granted the defendants' demurrer as to the plaintiffs' breach of contract claim, but the unfair competition claim remains. The Company filed its answer to the Third Amended Complaint on June 11, 2010. The Company is in the process of conducting discovery and is vigorously defending against the action. Given the inherent uncertainties in this litigation, as of September 30, 2010, no accrual has been recorded, as losses, if any, related to this matter are not both probable and reasonably estimable.

On June 3, 2009, a purported class action complaint was filed by the owners of one of our homes in our Magnolia Lakes' community in Ft. Myers, Florida. The complaint names the Company and certain distributors and suppliers of drywall and was filed in the Circuit Court for Lee County, Florida on behalf of the named plaintiffs and other similarly situated owners of homes in Magnolia Lakes or alternatively in the State of Florida. The plaintiffs allege that the Company built their homes with defective drywall, manufactured in China, that contains sulfur compounds that allegedly corrode certain metals and that are allegedly capable of harming the health of individuals. Plaintiffs allege physical and economic damages and seek legal and equitable relief, medical monitoring and attorney's fees. This case has been transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation. In addition, the Company has been named in other complaints filed in the multidistrict litigation and continues to pursue recovery against responsible subcontractors and drywall suppliers. The Company believes that the claims asserted in these actions are governed by its home warranty or are without merit. Accordingly, the Company intends to vigorously defend against this litigation.

The lender of one of our unconsolidated joint ventures filed individual lawsuits against some of the joint venture members and certain of those members' parent companies (including the Company), seeking to recover damages under completion guarantees, among other claims. We intend to vigorously defend against this legal action. We are a 2.58% member in this joint venture (see Note 3 for additional information). An estimate of probable loss or range of loss, if any cannot presently be made. In addition, one member of the joint venture filed an arbitration proceeding against the remaining members related to the plaintiff-member's allegations that the other members failed to perform under the applicable membership agreements. The arbitration panel issued its decision on July 6, 2010 and denied the plaintiff's claims for specific performance claims and awarded damages in an amount well below the amount claimed. The Company does not believe that its proportional share of the award is material to our consolidated financial position or results of operations. The plaintiff has moved to have the panel's award confirmed. Defendants have opposed the motion and have moved to vacate the panel's decision in part.

We cannot predict or determine the timing or final outcome of the lawsuits or the effect that any adverse findings or adverse determinations in the pending lawsuits may have on us. In addition, an estimate of possible loss or range of loss, if any, cannot presently be made with respect to the above pending matters. An unfavorable determination in any of the pending lawsuits could result in the payment by us of substantial monetary damages which may not be fully covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and the Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our business, financial condition and results of operations.

Other Matters

As disclosed in our 2009 Form 10-K, on July 1, 2009, the Company announced that it has resolved the criminal and civil investigations by the United States Attorney's Office in the Western District of North Carolina (the U.S. Attorney) and other state and federal agencies concerning matters that were the subject of the independent investigation, initiated in April 2007 by the Audit Committee of the Board of Directors (the Investigation) and concluded in May 2008. Under the terms of the deferred prosecution agreement (DPA), the Company's liability for fiscal 2010 is $1 million and in each of the fiscal years after 2010 through a portion of fiscal 2014 (unless extended as described in the DPA) will also be equal to 4% of the Company's adjusted EBITDA (as defined in the DPA). The total amount of such obligations will be dependent on several factors; however, the maximum liability under the DPA and other settlement agreements discussed above will not exceed $55.0 million of which $15 million has paid as of September 30, 2010. As of September 30, 2010 and 2009, we accrued $1.0 million and $2.0 million, respectively for future obligations under the DPA and HUD agreements. The $1.0 million accrued as of September 30, 2010 will be paid shortly after the filing of this form 10-K. While we believe that our accrual for this liability is adequate as of September 30, 2010, positive adjusted EBITDA results in future years will require us to incur additional expense in the future.

In November 2003, Beazer Homes received a request for information from the EPA pursuant to Section 308 of the Clean Water Act seeking information concerning the nature and extent of storm water discharge practices relating to certain of our communities completed or under construction. The EPA or the equivalent state agency has issued Administrative Orders identifying alleged instances of noncompliance and requiring corrective action to address the alleged deficiencies in storm water management practices. The parties have agreed to settle this matter and the terms are being finalized. The amount to be paid by the Company pursuant to the settlement agreement will not have a material adverse effect on our financial condition, results of operations or cash flows. Beazer Homes has taken action to comply with the requirements of each of the Administrative Orders and is working to otherwise maintain compliance with the requirements of the Clean Water Act.

In 2006, we received two Administrative Orders issued by the New Jersey Department of Environmental Protection. The Orders allege certain violations of wetlands disturbance permits. The two Orders assess proposed fines of $630,000 and $678,000, respectively. We have met with the Department to discuss their concerns on the two affected communities and have requested hearings on both matters. We believe that we have significant defenses to the alleged violations and intend to contest the agency's findings and the proposed fines. We are currently pursuing settlement discussions with the Department.

We and certain of our subsidiaries have been named as defendants in various claims, complaints and other legal actions, most relating to construction defects, moisture intrusion and product liability. Certain of the liabilities resulting from these actions are covered in whole or part by insurance. In our opinion, based on our current assessment, the ultimate resolution of these matters will not have a material adverse effect on our financial condition, results of operations or cash flows.

We have accrued $18.0 million and $21.7 million in other liabilities related to all of the above matters as of September 30, 2010 and 2009, respectively.

We had outstanding letters of credit and performance bonds of approximately $37.9 million and $184.7 million, respectively, at September 30, 2010 related principally to our obligations to local governments to construct roads and other improvements in various developments. Our outstanding letters of credit include $3.7 million relating to our land option contracts discussed in Note 4.

We operated Beazer Mortgage Corporation (BMC) from 1998 through February 2008 to offer mortgage financing to the buyers of our homes. BMC entered into various agreements with mortgage investors for the origination of mortgage loans. Underwriting decisions were not made by BMC but by the investors or third-party service providers. To date, we have received requests to repurchase fewer than 100 mortgage loans from various investors. While we have not been required to repurchase any mortgage loans, we have established an immaterial amount as a reserve for the repurchase of mortgage loans originated by BMC. We cannot rule out the potential for additional mortgage loan repurchase claims in the future, although, at this time, we do not believe that the exposure related to any such additional claims would be material to our consolidated financial position or results of operation. As of September 30, 2010, no liability has been recorded for any such additional claims as such exposure is not both probable and reasonably estimable.

(14) Segment Information

As defined in SFAS 131, *Disclosures About Segments of an Enterprise and Related Information* (ASC 280), we now have three homebuilding segments operating in 15 states. Revenues in our homebuilding segments are derived from the sale of homes which we construct and from land and lot sales. Our reportable segments, described below, have been determined on a basis that is used internally by management for evaluating segment performance and resource allocations. In alignment therewith, during fiscal 2010 we moved our Raleigh, North Carolina market from our East to our Southeast segment. The reportable homebuilding segments, and all other homebuilding operations not required to be reported separately, include operations conducting business in the following states:

West: Arizona, California, Nevada and Texas

East: Delaware, Indiana, Maryland, New Jersey, New York, Pennsylvania, Tennessee (Nashville) and Virginia

Southeast: Florida, Georgia, North Carolina (Raleigh) and South Carolina

Management's evaluation of segment performance is based on segment operating income, which for our homebuilding segments is defined as homebuilding, land sale and other revenues less home construction, land development and land sales expense, depreciation and amortization and certain selling, general and administrative expenses which are incurred by or allocated to our homebuilding segments. The accounting policies of our segments are those described in Note 1. The following information is in thousands:

	Fiscal Year Ended September 30,		
	2010	**2009**	**2008**
Revenue			
West	**$ 364,530**	$409,168	$ 656,471
East	**451,162**	374,618	721,432
Southeast	**194,149**	187,917	358,824
Continuing Operations	**$ 1,009,841**	$971,703	$ 1,736,727

	Fiscal Year Ended September 30, 2010	2009	2008
Operating income (loss)			
West	**$ 1,120**	$ (31,889)	$ (139,340)
East	**11,329**	(2,722)	(60,921)
Southeast	**(518)**	(32,151)	(114,201)
Segment total	**11,931**	(66,762)	(314,462)
Corporate and unallocated(a)	**(125,753)**	(174,710)	(303,162)
Total operating loss	**(113,822)**	(241,472)	(617,624)
Equity in loss of unconsolidated joint ventures	(8,807)	(12,112)	(57,819)
Gain on extinguishment of debt	43,901	144,503	—
Other expense, net	(69,543)	(74,791)	(35,405)
Loss from continuing operations before income taxes	$ (148,271)	$ (183,872)	$ (710,848)

	Fiscal Year Ended September 30, 2010	2009	2008
Depreciation and amortization			
West	**$ 5,161**	$ 6,692	$ 8,626
East	**3,665**	5,468	7,247
Southeast	**1,701**	2,489	3,372
Segment total	**10,527**	14,649	19,245
Corporate and unallocated(a)	**2,347**	3,743	4,557
Continuing Operations	**$12,874**	$18,392	$23,802

	September 30, 2010	September 30, 2009
Assets		
West	**$ 630,376**	$ 657,831
East	**333,648**	406,253
Southeast	**169,496**	184,564
Corporate and unallocated(b)	**727,681**	680,047
Discontinued operations	**41,701**	100,715
Consolidated total	**$ 1,902,902**	$ 2,029,410

	Fiscal Year Ended September 30, 2010	2009
Capital Expenditures		
West	**$ 3,939**	$1,834
East	**2,076**	1,374
Southeast	**864**	957
Corporate and unallocated	**3,866**	2,557
Discontinued operations	**104**	312
Consolidated total	**$10,849**	$7,034

a. Corporate and unallocated includes the amortization of capitalized interest and numerous shared services functions that benefit all segments, the costs of which are not allocated to the operating segments reported above including information technology, national sourcing and purchasing, treasury, corporate finance, legal, branding and other national marketing costs. Fiscal 2010 includes $10.2 million of support-related costs related to the Company's assistance in on-going government investigations (see Note 13). Fiscal 2009 includes $8.3 million of investigation-related costs and approximately $16 million for obligations related to the government investigations (see Note 13). Fiscal 2008 includes $31.8 million of investigation-related costs. Fiscal 2009 and 2008 include $16.1 million and $48.1 million of non-cash goodwill impairment charges to write-off all of the goodwill allocated to certain underperforming markets (see Note 1).

b. Primarily consists of cash and cash equivalents, consolidated inventory not owned, income tax receivable, deferred taxes, and capitalized interest and other corporate items that are not allocated to the segments.

(15) Discontinued Operations

On February 1, 2008, we determined that we would discontinue our mortgage origination services through BMC. As of September 30, 2008, all of BMC's operating activities had ceased. In February 2008, we entered into a new marketing services arrangement with Countrywide Financial Corporation (Countrywide), whereby the Company would market Countrywide as the preferred mortgage provider to its customers. In addition, during fiscal 2008, we wrote off our entire $7.1 million investment in Homebuilders Financial Network LLC (HFN). This write-off is included in equity in loss of unconsolidated joint ventures in the accompanying Consolidated Statements of Operations. HFN was a joint venture investment which was established to provide loan processing services to mortgage originators. We assigned our ownership interest to its joint venture partner. Our joint venture interest in HFN was not owned by Beazer Mortgage Corporation and, therefore, the associated write-off is not included in the discontinued operations information presented below.

Up until September 30, 2010, we offered title insurance services to our homebuyers in several of our markets. Effective September 30, 2010, we have sold or discontinued all of our title services operations. The operating results of our title services operations were previously reported in our Financial Services segment.

We continually review each of our markets in order to refine our overall investment strategy and to optimize capital and resource allocations in an effort to enhance our financial position and to increase shareholder value. This review entails an evaluation of both external market factors and our position in each market and, over time, has resulted in the decision to discontinue certain of our homebuilding operations. During fiscal 2008 and 2009, we discontinued our homebuilding operations in Charlotte, NC, Cincinnati/Dayton, OH, Columbia, SC, Columbus, OH, Lexington, KY, Denver, Colorado and Fresno, CA. During the fourth quarter of fiscal 2010, we have substantially completed our homebuilding operations in Jacksonville, Florida and Albuquerque, New Mexico, which were historically reported in our Southeast and West segments, respectively.

We have classified the results of operations of our mortgage origination services, title services and our exit markets as discontinued operations in the accompanying consolidated statements of operations for all periods presented. Discontinued operations were not segregated in the consolidated balance sheets or statements of cash flows. Therefore, amounts for certain captions in the consolidated statements of cash flows will not agree with the respective data in the consolidated statements of operations. The results of our discontinued operations in the

Consolidated Statements of Operations for the fiscal years ended September 30, 2010, 2009, and 2008 were as follows (*in thousands*):

	Fiscal Year Ended September 30,		
	2010	**2009**	**2008**
Total revenue	**$ 33,167**	$ 51,499	$ 341,053
Home construction and land sales expenses	**27,134**	42,596	305,743
Inventory impairments and lot option abandonments	**1,803**	11,911	107,226
Gross profit (loss)	**4,230**	(3,008)	(71,916)
Selling, general and administrative expenses	**7,517**	11,488	53,126
Depreciation and amortization	**531**	492	3,907
Goodwill impairment	—	—	4,365
Operating loss	**(3,818)**	(14,988)	(133,314)
Equity in loss of unconsolidated joint ventures	**(15,543)**	(2,163)	(23,495)
Gain on extinguishment of debt	**—**	3,574	—
Other income (expense), net	**395**	(1,010)	508
Loss from discontinued operations before income taxes	**(18,966)**	(14,587)	(156,301)
(Benefit from) provision for income taxes	**(14,833)**	(726)	15,812
Loss from discontinued operations, net of tax	**$ (4,133)**	$ (13,861)	$ (172,113)

The loss from discontinued operations for the fiscal years ended September 30, 2010, 2009, and 2008 included approximately $160,000, $260,000 and $3.7 million, respectively for severance and termination benefits.

Assets and liabilities from discontinued operations at September 30, 2010 and 2009, which relate to BMC and the exit markets, consist of the following (*in thousands*):

	2010	**2009**
ASSETS		
Cash and cash equivalents	**$ 462**	$ 606
Accounts receivable	**2,214**	36,200
Inventory	**38,377**	48,266
Other	**648**	15,643
Assets of discontinued operations	**$41,701**	$100,715
LIABILITIES		
Trade accounts payable and other liabilities	**$ 7,903**	$ 10,500
Accrued warranty expenses	**6,208**	7,802
Other secured notes payable	—	—
Liabilities of discontinued operations	**$ 14,111**	$ 18,302

(16) Supplemental Guarantor Information

As discussed in Note 7, our obligations to pay principal, premium, if any, and interest under certain debt are guaranteed on a joint and several basis by substantially all of our subsidiaries. Certain of our title, warranty and immaterial subsidiaries do not guarantee our Senior Notes or our Secured Revolving Credit Facility. The guarantees are full and unconditional and the guarantor subsidiaries are 100% owned by Beazer Homes USA, Inc. We have determined that separate, full financial statements of the guarantors would not be material to investors and, accordingly, supplemental financial information for the guarantors is presented.

Beazer Homes USA, Inc.

Consolidating Balance Sheet Information
September 30, 2010

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	$ 530,847	$ 8,343	$ 200	$ (2,269)	$ 537,121
Restricted cash	38,781	419	—	—	39,200
Accounts receivable (net of allowance of $3,567)	—	32,632	15	—	32,647
Income tax receivable	7,684	—	—	—	7,684
Owned inventory	—	1,153,703	—	—	1,153,703
Consolidated inventory not owned	—	49,958	—	—	49,958
Investments in unconsolidated joint ventures	773	7,948	—	—	8,721
Deferred tax assets	7,779	—	—	—	7,779
Property, plant and equipment, net	—	23,995	—	—	23,995
Investments in subsidiaries	233,507	—	—	(233,507)	—
Intercompany	846,471	(857,409)	8,669	2,269	—
Other assets	20,434	17,163	4,497	—	42,094
Total assets	$ 1,686,276	$ 436,752	$ 13,381	$ (233,507)	$ 1,902,902
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	$ —	$ 53,418	$ —	$ —	$ 53,418
Other liabilities	87,354	118,534	4,282	—	210,170
Intercompany	1,068	—	(1,068)	—	—
Obligations related to consolidated inventory not owned	—	30,666	—	—	30,666
Total debt (net of discounts of $23,617)	1,200,753	10,794	—	—	1,211,547
Total liabilities	1,289,175	213,412	3,214	—	1,505,801
Stockholders' equity	397,101	223,340	10,167	(233,507)	397,101
Total liabilities and stockholders' equity	$ 1,686,276	$ 436,752	$ 13,381	$ (233,507)	$ 1,902,902

Beazer Homes USA, Inc.

Consolidating Balance Sheet Information
September 30, 2009

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	$ 495,692	$ 11,482	$ 2,915	$ (2,750)	$ 507,339
Restricted cash	48,326	1,135	—	—	49,461
Accounts receivable (net of allowance of $7,545)	—	28,377	28	—	28,405
Income tax receivable	9,922	—	—	—	9,922
Owned inventory	—	1,265,441	—	—	1,265,441
Consolidated inventory not owned	—	53,015	—	—	53,015
Investments in unconsolidated joint ventures	3,093	27,031	—	—	30,124
Deferred tax assets	7,520	—	—	—	7,520
Property, plant and equipment, net	—	25,939	—	—	25,939
Investments in subsidiaries	210,730	—	—	(210,730)	—
Intercompany	977,956	(984,511)	3,805	2,750	—
Other assets	26,750	22,419	3,075	—	52,244
Total assets	$ 1,779,989	$ 450,328	$ 9,823	$ (210,730)	$ 2,029,410
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	$ —	$ 70,285	$ —	$ —	$ 70,285
Other liabilities	86,717	134,655	5,943	—	227,315
Intercompany	361	—	(361)	—	—
Obligations related to consolidated inventory not owned	—	26,356	—	—	26,356
Total debt (net of discounts of $27,257)	1,496,356	12,543	—	—	1,508,899
Total liabilities	1,583,434	243,839	5,582	—	1,832,855
Stockholders' equity	196,555	206,489	4,241	(210,730)	196,555
Total liabilities and stockholders' equity	$ 1,779,989	$ 450,328	$ 9,823	$ (210,730)	$ 2,029,410

Beazer Homes USA, Inc.

Consolidating Statement of Operations Information
Fiscal Year Ended September 30, 2010

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
			(In thousands)		
Total revenue	$ —	$ 1,008,039	$ 1,802	$ —	$ 1,009,841
Home construction and land sales expenses	52,243	821,954	—	—	874,197
Inventory impairments and option contract abandonments	2,313	47,723	—	—	50,036
Gross (loss) profit	(54,556)	138,362	1,802	—	85,608
Selling, general and administrative expenses	—	186,446	110	—	186,556
Depreciation and amortization	—	12,874	—	—	12,874
Goodwill impairment	—	—	—	—	—
Operating (loss) income	(54,556)	(60,958)	1,692	—	(113,822)
Equity in loss of unconsolidated joint ventures	—	(8,807)	—	—	(8,807)
Gain on extinguishment of debt	43,625	276	—	—	43,901
Other (expense) income, net	(74,214)	4,592	79	—	(69,543)
(Loss) income before income taxes	(85,145)	(64,897)	1,771	—	(148,271)
(Benefit from) provision for income taxes	(33,099)	(85,876)	620	—	(118,355)
Equity in income of subsidiaries	22,130	—	—	(22,130)	—
Net (loss) income from continuing operations	(29,916)	20,979	1,151	(22,130)	(29,916)
Net loss from discontinued operations	—	(4,128)	(5)	—	(4,133)
Equity in loss of subsidiaries	(4,133)	—	—	4,133	—
Net (loss) income	$ (34,049)	$ 16,851	$ 1,146	$ (17,997)	$ (34,049)

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Beazer Homes USA, Inc.

Consolidating Statement of Operations Information
Fiscal Year Ended September 30, 2009

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
			(In thousands)		
Total revenue	$ —	$ 971,099	$ 604	$ —	$ 971,703
Home construction and land sales expenses	54,714	806,019	—	—	860,733
Inventory impairments and option contract abandonments	3,376	91,840	—	—	95,216
Gross (loss) profit	(58,090)	73,240	604	—	15,754
Selling, general and administrative expenses	—	222,784	(93)	—	222,691
Depreciation and amortization	—	18,392	—	—	18,392
Goodwill impairment	—	16,143	—	—	16,143
Operating (loss) income	(58,090)	(184,079)	697	—	(241,472)
Equity in loss of unconsolidated joint ventures	—	(12,112)	—	—	(12,112)
Gain on extinguishment of debt	130,229	14,274	—	—	144,503
Other (expense) income, net	(83,030)	8,499	(260)	—	(74,791)
(Loss) income before income taxes	(10,891)	(173,418)	437	—	(183,872)
(Benefit from) provision for income taxes	(3,761)	(4,742)	153	—	(8,350)
Equity in loss of subsidiaries	(168,392)	—	—	168,392	—
Net (loss) income from continuing operations	(175,522)	(168,676)	284	168,392	(175,522)
Net loss from discontinued operations	—	(13,813)	(48)	—	(13,861)
Equity in loss of subsidiaries	(13,861)	—	—	13,861	—
Net (loss) income	$ (189,383)	$ (182,489)	$ 236	$ 182,253	$ (189,383)

Beazer Homes USA, Inc.

Consolidating Statement of Operations Information
Fiscal Year Ended September 30, 2008

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
			(In thousands)		
Total revenue	$ —	$ 1,736,102	$ 625	$ —	$ 1,736,727
Home construction and land sales expenses	112,262	1,468,506	—	—	1,580,768
Inventory impairments and option contract abandonments	13,795	389,607	—	—	403,402
Gross (loss) profit	(126,057)	(122,011)	625	—	(247,443)
Selling, general and administrative expenses	—	298,156	118	—	298,274
Depreciation and amortization	—	23,802	—	—	23,802
Goodwill impairment	—	48,105	—	—	48,105
Operating (loss) income	(126,057)	(492,074)	507	—	(617,624)
Equity in loss of unconsolidated joint ventures	—	(57,819)	—	—	(57,819)
Other (expense) income, net	(55,185)	19,700	80	—	(35,405)
(Loss) income before income taxes	(181,242)	(530,193)	587	—	(710,848)
(Benefit from) provision for income taxes	(67,567)	136,312	206	—	68,951
Equity in loss of subsidiaries	(666,124)	—	—	666,124	—
Net (loss) income from continuing operations	(779,799)	(666,505)	381	666,124	(779,799)
Net loss from discontinued operations	—	(172,028)	(85)	—	(172,113)
Equity in loss of subsidiaries	(172,113)	—	—	172,113	—
Net (loss) income	$ (951,912)	$ (838,533)	$ 296	$ 838,237	$ (951,912)

Beazer Homes USA, Inc.

Consolidating Statement of Cash Flow Information

Fiscal Year Ended September 30, 2010	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
			(In thousands)		
Net cash (used in) provided by operating activities	$ (88,344)	$ 159,953	$ (1,924)	$ —	$ 69,685
Cash flows from investing activities:					
Capital expenditures	—	(10,849)	—	—	(10,849)
Investments in unconsolidated joint ventures	—	(5,602)	—	—	(5,602)
Increases in restricted cash	(36,345)	(1,094)	—	—	(37,439)
Decreases in restricted cash	46,477	1,223			47,700
Net cash provided by (used in) investing activities	10,132	(16,322)	—	—	(6,190)
Cash flows from financing activities:					
Repayment of debt	(616,858)	(2,948)	—	—	(619,806)
Proceeds from issuance of new debt	373,238	1,200	—	—	374,438
Debt issuance costs	(9,234)	—	—	—	(9,234)
Proceeds from issuance of common stock	166,718	—	—	—	166,718
Proceeds from issuance of TEU prepaid stock purchase contracts	57,429	—	—	—	57,429
Common stock redeemed	(159)	—	—	—	(159)
Excess tax benefit from equity-based compensation	(3,099)	—	—	—	(3,099)
Advances to/from subsidiaries	145,332	(145,022)	(791)	481	—
Net cash provided by (used in) financing activities	113,367	(146,770)	(791)	481	(33,713)
Increase (decrease) in cash and cash equivalents	35,155	(3,139)	(2,715)	481	29,782
Cash and cash equivalents at beginning of period	495,692	11,482	2,915	(2,750)	507,339
Cash and cash equivalents at end of period	$ 530,847	$ 8,343	$ 200	$ (2,269)	$ 537,121

Beazer Homes USA, Inc.

Consolidating Statement of Cash Flow Information

Fiscal Year Ended September 30, 2009	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
			(In thousands)		
Net cash provided by operating activities	$ 29,731	$ 60,587	$ 3,507	$ —	$ 93,825
Cash flows from investing activities:					
Capital expenditures	—	(7,034)	—	—	(7,034)
Investments in unconsolidated joint ventures	—	(25,537)	—	—	(25,537)
Increases in restricted cash	(70,776)	(1,392)	—	—	(72,168)
Decreases in restricted cash	22,450	554			23,004
Distributions from unconsolidated joint ventures	—	2,054	—	—	2,054
Net cash used in investing activities	(48,326)	(31,355)	—	—	(79,681)
Cash flows from financing activities:					
Repayment of debt	(284,153)	(21,246)	—	—	(305,399)
Proceeds from debt issuance	223,750	—	—	—	223,750
Debt issuance costs	(7,195)	—	—	—	(7,195)
Common stock redeemed	(22)	—	—	—	(22)
Tax benefit from stock transactions	(2,273)	—	—	—	(2,273)
Advances to/from subsidiaries	8,324	(11,310)	(597)	3,583	—
Net cash (used in) provided by financing activities	(61,569)	(32,556)	(597)	3,583	(91,139)
(Decrease)/increase in cash and cash equivalents	(80,164)	(3,324)	2,910	3,583	(76,995)
Cash and cash equivalents at beginning of period	575,856	14,806	5	(6,333)	584,334
Cash and cash equivalents at end of period	$ 495,692	$ 11,482	$ 2,915	$ (2,750)	$ 507,339

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Beazer Homes USA, Inc.
Consolidating Statement of Cash Flow Information

Fiscal Year Ended September 30, 2008	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash provided by (used in) operating activities	$ 51,886	$ 264,388	$ (707)	$ —	$ 315,567
Cash flows from investing activities:					
Capital expenditures	—	(10,568)	2	—	(10,566)
Investments in unconsolidated joint ventures	—	(13,758)	—	—	(13,758)
Increases in restricted cash	—	(109,609)	—	—	(109,609)
Decreases in restricted cash	—	114,483	—	—	114,483
Distributions from unconsolidated joint ventures	—	1,050	—	—	1,050
Net cash (used in) provided by investing activities	—	(18,402)	2	—	(18,400)
Cash flows from financing activities:					
Repayment of debt	(42,885)	(100,740)	—	—	(143,625)
Debt issuance costs	(22,335)	—	—	—	(22,335)
Common stock redeemed	(52)	—	—	—	(52)
Tax benefit from stock transactions	(1,158)	—	—	—	(1,158)
Advances to/from subsidiaries	143,104	(140,140)	(849)	(2,115)	—
Net cash provided by (used in) financing activities	76,674	(240,880)	(849)	(2,115)	(167,170)
(Decrease)/increase in cash and cash equivalents	128,560	5,106	(1,554)	(2,115)	129,997
Cash and cash equivalents at beginning of period	447,296	9,700	1,559	(4,218)	454,337
Cash and cash equivalents at end of period	$ 575,856	$ 14,806	$ 5	$ (6,333)	$ 584,334

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Beazer Homes USA, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Beazer Homes USA, Inc. and subsidiaries (the “Company”) as of September 30, 2010 and 2009, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended September 30, 2010. 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 the standards of the Public Company Accounting Oversight Board (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, such consolidated financial statements present fairly, in all material respects, the financial position of Beazer Homes USA, Inc. and subsidiaries as of September 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of September 30, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 5, 2010 expressed and unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
November 5, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Beazer Homes USA, Inc.:
Atlanta, Georgia

We have audited the internal control over financial reporting of Beazer Homes USA, Inc. and subsidiaries (the "Company") as of September 30, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Beazer Homes USA, Inc. and subsidiaries as of September 30, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2010 and our report dated November 5, 2010 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
November 5, 2010

Quarterly Financial Data

Summarized quarterly financial information *(unaudited)*:

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(In thousands, except per share data)			
Fiscal 2010				
Total revenue	**$213,073**	**$ 192,455**	**$329,539**	**$274,774**
Gross profit(a)	**18,379**	**24,878**	**37,800**	**4,551**
Operatingloss	**(29,763)**	**(21,678)**	**(19,169)**	**(43,212)**
Net income (loss) from continuing operations(c)	**44,507**	**6,155**	**(23,153)**	**(57,425)**
Basic EPS from continuing operations	**$ 1.15**	**$ 0.11**	**$ (0.34)**	**$ (0.78)**
Diluted EPS from continuing operations	**$ 1.09**	**$ 0.10**	**$ (0.34)**	**$ (0.78)**
Fiscal 2009				
Total revenue	$209,626	$ 181,212	$215,280	$365,585
Gross profit (loss)(a)	10,526	(21,786)	4,558	22,456
Good willim pairment(b)	16,143	—	—	—
Operating loss	(61,374)	(91,115)	(48,674)	(40,309)
Net (loss) income from continuing operations(c)	(77,921)	(106,965)	(24,145)	33,509
Basic EPS from continuing operations	$ (2.02)	$ (2.77)	$ (0.62)	$ 0.86
Diluted EPS from continuing operations	$ (2.02)	$ (2.77)	$ (0.62)	$ 0.83

(a) Gross profit (loss) in fiscal 2010 and 2009 includes inventory impairment and option contract abandonments as follows:

	Fiscal 2010	Fiscal 2009
	(In thousands)	
1st Quarter	$ 8,550	$ 12,365
2nd Quarter	9,986	41,251
3rd Quarter	5,019	11,713
4th Quarter	26,481	29,887
	$ 50,036	$ 95,216

(b) In the first quarter of fiscal 2009, the Company recognized non-cash goodwill impairment charges to write off all of its remaining goodwill.

(c) Net loss from continuing operations in fiscal 2010 and 2009 include gain (loss) on extinguishment of debt (as follows). The first quarter of fiscal 2010 also included a tax benefit relate to The Worker, Homeownership and Business Act of 2009 (see Note 9 to the Consolidated Financial Statements).

	Fiscal 2010	Fiscal 2009
	(In thousands)	
1st Quarter	$ —	$ —
2nd Quarter	52,946	—
3rd Quarter	(9,045)	55,214
4th Quarter	—	89,289
	$ 43,901	$ 144,503

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

Management, under the supervision and with the participation of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Act), as of the end of period covered by this report. Management concluded that, as of September 30, 2010, the Company's disclosure controls and procedures were effective.

Attached as exhibits to this Annual Report on Form 10-K are certifications of our CEO and CFO, which are required by Rule 13a-14 of the Act. This Disclosure Controls and Procedures section includes information concerning management's evaluation of disclosure controls and procedures referred to in those certifications and, as such, should be read in conjunction with the certifications of the CEO and CFO.

Management's Report on Internal Control over Financial Reporting

Beazer Homes USA, Inc.'s management is responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officer and effected by Beazer Homes USA, Inc.'s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2010, utilizing the criteria described in the "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The objective of this assessment was to determine whether the Company's internal control over financial reporting was effective as of September 30, 2010. Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of September 30, 2010. The effectiveness of our internal control over financial reporting as of September 30, 2010 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in their report, which is included in "Part II — Item 8 — Financial Statements and Supplementary Data."

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fiscal year ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations over Internal Controls

Our system of controls is designed to provide reasonable, not absolute, assurance regarding the reliability and integrity of accounting and financial reporting. Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.
- Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override.
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures.
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Item 9B. ***Other Information***

On November 4, 2010, the Board of Directors, upon the recommendation of the Nominating/Corporate Governance Committee, adopted certain amendments to the Company’s By-Laws. These amendments are reflected in the Company’s Fourth Amended and Restated By-Laws filed as Exhibit 3.3 hereto.

The amendments add a provision that allows for a plurality vote for alternatives with respect to the frequency of the stockholders vote on a non-binding resolution regarding the Company’s executive compensation program (Article I, Section 5).

The amendments also modify, among other things, the advance notice procedures stockholders must satisfy in order to nominate directors for election or to conduct business at an annual meeting of stockholders (Article I, Section 7 and Article II, Section 14). The revised procedures include enhanced documentary and other disclosure requirements, including new disclosure requirements relating to the beneficial ownership of derivatives and debt obligations relating to the Company.

The amendments further delete a provision relating to the powers of the Chairman of the Board (Article IV, Section 4(a)), as that provision also appears and currently remains in Article II, Section 2(a). In addition, the amendments permit an Assistant Secretary of the Corporation to undertake certain responsibilities at the direction of the Secretary of the Corporation (Article II, Section 9 and Article IV, Section 4).

The amendments to the By-Laws took effect on November 4, 2010. The foregoing summary of the amendments to the Company’s By-laws does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Company’s Fourth Amended and Restated By-laws, which is incorporated herein by reference.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Except as set forth below, the information required by this item is incorporated by reference to our proxy statement for our 2011 annual meeting of stockholders, which is expected to be filed on or before December 22, 2010.

Executive Officer Business Experience

IAN J. MCCARTHY. Mr. McCarthy, 57, is the President and Chief Executive Officer of Beazer Homes and has served as a director of Beazer Homes since the IPO. Mr. McCarthy has served as President of predecessors of Beazer Homes since January 1991 and was responsible for all United States residential homebuilding operations in that capacity. During the period May 1981 to January 1991, Mr. McCarthy was employed in Hong Kong and Thailand, becoming a director of Beazer Far East and from January 1980 to May 1981 was employed by Kier, Ltd., a company engaged in the United Kingdom construction industry which became an indirect, wholly owned subsidiary of Beazer PLC. Mr. McCarthy is a Chartered Civil Engineer with a Bachelor of Science degree from The City University, London. Mr. McCarthy currently serves as a member of the Board of Directors of HomeAid America and of Builder Homesite, Inc. He was inducted into the California Building Industry Hall of Fame in 2004, the first non-California resident to receive this honor.

ALLAN P. MERRILL. Mr. Merrill, 44, joined us in May 2007 as Executive Vice President and Chief Financial Officer. Mr. Merrill was previously with Move, Inc. where he served as Executive Vice President of Corporate Development and Strategy beginning in October 2001. From April 2000 to October 2001, Mr. Merrill was president of Homebuilder.com, a division of Move, Inc. Mr. Merrill joined Move, Inc. following a 13-year tenure with the investment banking firm UBS (and its predecessor Dillon, Read & Co.), where he was a managing director and served most recently as co-head of the Global Resources Group, overseeing the construction and building materials, chemicals, forest products, mining and energy industry groups. Mr. Merrill is a member of the Policy Advisory Board of the Joint Center for Housing Studies at Harvard University and the Homebuilding Community Foundation. He is a graduate of the University of Pennsylvania, Wharton School with a Bachelor of Science in Economics.

KENNETH F. KHOURY. Mr. Khoury, 59, joined us in January 2009 as Executive Vice President and General Counsel. Mr. Khoury was previously Executive Vice President and General Counsel of Delta Air Lines from September 2006 to November 2008. Practicing law for over 30 years, Mr. Khoury's career has included both private practice and extensive in-house counsel experience. Prior to Delta Air Lines, Mr. Khoury was Senior Vice President and General Counsel of Weyerhaeuser Corporation and spent 15 years with Georgia-Pacific Corporation, where he served as Vice President and Deputy General Counsel. He also spent six years at law firm White & Case in New York. He received a Bachelor of Arts degree from Rutgers College and a Juris Doctor from Fordham University School of Law.

ROBERT L. SALOMON. Mr. Salomon, 50, joined us in February 2008 as Senior Vice President and Chief Accounting Officer and Controller. Mr. Salomon was previously with the homebuilding company Ashton Woods Homes where he served as Chief Financial Officer and Treasurer since 1998. Previously, he served with homebuilder MDC Holdings, Inc. in financial management roles of increasing responsibility over a 6 year period. A Certified Public Accountant, Mr. Salomon has 26 years of financial management experience, 18 of which have been in the homebuilding industry. Mr. Salomon is a member of the American Institute of Certified Public Accountants and a graduate of the University of Iowa with a Bachelor of Business Administration.

Code of Ethics

Beazer Homes has adopted a Code of Business Conduct and Ethics for its senior financial officers, which applies to its principal financial officer and controller, other senior financial officers and Chief Executive Officer. The full text of the Code of Business Conduct and Ethics can be found on the Company's website, www.beazer.com. If at any time there is an amendment or waiver of any provision of our Code of Business Conduct and Ethics that is required to be disclosed, information regarding such amendment or waiver will be published on our website.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to our proxy statement for our 2011 annual meeting of stockholders, which is expected to be filed on or before December 22, 2010.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information relating to securities authorized for issuance under equity compensation plans is set forth above in Item 5 — Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. All of the other information required by this item is incorporated by reference to our proxy statement for our 2011 annual meeting of stockholders, which is expected to be filed on or before December 22, 2010.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

The information required by this item is incorporated by reference to our proxy statement for our 2011 annual meeting of stockholders, which is expected to be filed on or before December 22, 2010.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference to our proxy statement for our 2011 annual meeting of stockholders, which is expected to be filed on or before December 22, 2010.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

The following documents are filed as part of this Annual Report on Form 10-K.

(a) 1. Financial Statements

2. Financial Statement Schedules

None required.

3. Exhibits

Unless otherwise noted, all exhibits were filed under File No. 001-12822

Exhibit Number		Exhibit Description
3.1	—	Amended and Restated Certificate of Incorporation of the Company — incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-K filed on December 2, 2008
3.2	—	Certificate of Amendment to the Amended and Restated Certificate of Incorporation as of April 13, 2010 — incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-Q filed May 3, 2010
3.3	—	Fourth Amended and Restated Bylaws of the Company

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Exhibit Number		Exhibit Description
4.1	—	Second Supplemental Indenture dated as of November 13, 2003 among Beazer, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee, related to the Company’s 6 $^{1}/_{2}$% Senior Notes due 2013 — incorporated herein by reference to Exhibit 4.11 of the Company’s Form 10-K for the year ended September 30, 2003
4.2	—	Form of 6$^{1}/_{2}$% Senior Notes due 2013 — incorporated herein by reference to Exhibit 4.12 of the Company’s Form 10-K for the year ended September 30, 2003
4.3	—	Form of 6$^{1}/_{2}$% Senior Notes due 2015 — incorporated herein by reference to Exhibit 4.2 of the Company’s Form 8-K filed on June 13, 2005
4.4	—	Form of Fifth Supplemental Indenture, dated as of June 8, 2005, by and among Beazer, the Subsidiary Guarantors party thereto and U.S. Bank National Association, as trustee — incorporated herein by reference to Exhibit 4.1 of the Company’s Form 8-K filed on June 13, 2005
4.5	—	Sixth Supplemental Indenture, dated as of January 9, 2006, to the Trust Indenture dated as of May 21, 2001 — incorporated herein by reference to Exhibit 99.1 of the Company’s Form 8-K filed on January 17, 2006
4.6	—	Seventh Supplement Indenture, dated as of January 9, 2006, to the Trust Indenture dated as of April 17, 2002 — incorporated herein by reference to Exhibit 99.2 of the Company’s Form 8-K filed on January 17, 2006
4.7	—	Form of Senior Note due 2016 — incorporated herein by reference to Exhibit 4.2 of the Company’s Form 8-K filed on June 8, 2006
4.8	—	Form of Eighth Supplemental Indenture, dated June 6, 2006, by and among Beazer Homes USA, Inc., the guarantors named therein and UBS Securities LLC, Citigroup Global Markets Inc., J.P. Morgan Securities, Inc., Wachovia Capital Markets, LLC, Deutsche Bank Securities Inc., BNP Paribas Securities Corp. and Greenwich Capital Markets — incorporated herein by reference to Exhibit 4.1 of the Company’s Form 8-K filed on June 8, 2006
4.9	—	Form of Junior Subordinated indenture between Beazer Homes USA, Inc., JPMorgan Chase Bank, National Association, dated June 15, 2006 — incorporated herein by reference to Exhibit 4.1 of the Company’s Form 8-K filed on June 21, 2006
4.10	—	Form of the Amended and Restated Trust Agreement among Beazer Homes USA, Inc., JPMorgan Chase Bank, National Association, Chase Bank USA, National Association and certain individuals named therein as Administrative Trustees, dated June 15, 2006 — incorporated herein by reference to Exhibit 4.2 of the Company’s Form 8-K filed on June 21, 2006
4.11	—	Seventh Supplemental Indenture, dated October 26, 2007, amending and supplementing the Indenture, dated May 21, 2001, among the Company, US Bank National Association, as trustee, and the subsidiary guarantors party thereto — incorporated herein by reference to Exhibit 10.2 of the Company’s Form 8-K filed on October 30, 2007
4.12	—	Ninth Supplemental Indenture, dated October 26, 2007, amending and supplementing the Indenture, dated April 17, 2002, among the Company, US Bank National Association, as trustee, and the subsidiary guarantors party thereto — incorporated herein by reference to Exhibit 10.3 of the Company’s Form 8-K filed on October 30, 2007
4.13	—	Third Supplemental Indenture, dated October 26, 2007, amending and supplementing the Indenture, dated June 8, 2004, among the Company, SunTrust Bank, as trustee, and the subsidiary guarantors party thereto — incorporated herein by reference to Exhibit 10.4 of the Company’s Form 8-K filed on October 30, 2007
4.14	—	Form of Indenture, dated as of September 11, 2009, by and among Beazer Homes USA, Inc., the subsidiary guarantors party thereto, U.S. Bank National Association, as trustee, and Wilmington Trust FSB, as notes collateral agent — incorporated herein by reference to Exhibit 4.1 of the Company’s Form 8-K filed on September 11, 2009
4.15	—	Form of Senior Secured Note due 2017 — incorporated herein by reference to incorporated herein by reference to the Company’s Registration Statement on Form S-4 /A filed on February 23, 2010

Exhibit Number		Exhibit Description
4.16	—	Form of Registration Rights Agreement, dated September 11, 2009, by and among Beazer Homes USA, Inc., the guarantors party thereto, Citigroup Global Markets Inc. and Moelis & Company LLC — incorporated herein by reference to Exhibit 4.3 of the Company's Form 8-K filed on September 11, 2009
4.17	—	Indenture dated January 12, 2010 between Beazer Homes USA, Inc. and the U.S. Bank National Association — incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on January 12, 2010
4.18	—	First Supplemental Indenture dated January 12, 2010 between Beazer Homes USA, Inc. and the U.S. Bank National Association — incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on January 12, 2010
4.19	—	Form of $7^{1}/_{2}$% Mandatory Convertible Notes due 2013 — incorporated herein by reference to Exhibit 4.3 of the Company's Form 8-K filed on January 12, 2010
4.20	—	Form of Tangible Equity Unit, Form of Purchase Contract and Purchase Contract Agreement, dated May 10, 2010, between Beazer Homes USA, Inc. and U.S. Bank National Association — incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on May 10, 2010
4.21	—	Form of Amortizing Note and Twelfth Supplemental Indenture, dated May 10, 2010, between Beazer Homes USA, Inc. and U.S. Bank National Association — incorporated herein by reference to Exhibit 4.4 of the Company's Form 8-K filed on May 10, 2010
4.22	—	Form of Senior Note due 2018 and Thirteenth Supplemental Indenture, dated May 20, 2010, among Beazer Homes USA, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee — incorporate herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on May 20, 2010
4.23	—	First Supplemental Indenture, dated October 27, 2010, among Beazer Homes USA, Inc., the subsidiary guarantors signatory thereto and U.S. Bank National Association, as trustee
10.1*	—	Amended and Restated 1994 Stock Incentive Plan — incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-K for the year ended September 30, 2005
10.2*	—	Non-Employee Director Stock Option Plan — incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K for the year ended September 30, 2001
10.3*	—	Amended and Restated 1999 Stock Incentive Plan — incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed on August 8, 2008
10.4*	—	Second Amended and Restated Corporate Management Stock Purchase Program — incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-K for the year ended September 30, 2007
10.5*	—	Director Stock Purchase Program — incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-K for the year ended September 30, 2004
10.6*	—	Form of Stock Option and Restricted Stock Award Agreement — incorporated herein by reference to Exhibit 10.8 of the Company's Form 10-K for the year ended September 30, 2004
10.7*	—	Form of Stock Option Award Agreement — incorporated herein by reference to Exhibit 10.9 of the Company's Form 10-K for the year ended September 30, 2004
10.8*	—	Amended and Restated Employment Agreement of Ian J. McCarthy dated as of September 1, 2004 — incorporated herein by reference to Exhibit 10.01 of the Company's Form 8-K filed on September 1, 2004
10.9*	—	First Amendment to Amended and Restated Employment Agreement of Ian J. McCarthy dated as of February 3, 2006 — incorporated herein by reference to Exhibit 10.11 of the Company's Form 10-Q for the quarter ended March 31, 2006
10.10*	—	Second Amendment to Amended and Restated Employment Agreement of Ian J. McCarthy dated as of December 31, 2008 — incorporated herein by reference to Exhibit 10.31 of the Company's Form 10-Q for the quarter ended December 31, 2008
10.11*	—	Amended and Restated Employment Agreement of Michael H. Furlow dated as of August 6, 2009 — incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q for the quarter ended June 30, 2009

Exhibit Number		Exhibit Description
10.12*	—	Employment Agreement effective May 1, 2007 for Allan P. Merrill — incorporated herein by reference to Exhibit 10.01 of the Company's Form 8-K filed on April 24, 2007
10.13*	—	First Amendment to Employment Agreement effective December 31, 2008 for Allan P. Merrill - incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-Q for the quarter ended December 31, 2008
10.14*	—	Amended and Restated Supplemental Employment Agreement of Ian J. McCarthy dated as of February 3, 2006 — incorporated herein by reference to Exhibit 10.1of the Company's Form 10-Q for the quarter ended March 31, 2006
10.15*	—	First Amendment to Amended and Restated Supplemental Employment Agreement of Ian J. McCarthy effective December 31, 2008 — incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-Q for the quarter ended December 31, 2008
10.16*	—	Amended and Restated Supplemental Employment Agreement of Michael H. Furlow dated as of August 6, 2009 — incorporated herein by reference to Exhibit 10.4 of the Company's Form 10-Q for the quarter ended June 30, 2009
10.17*	—	Change of Control Employment Agreement effective May 1, 2007 for Allan P. Merrill — incorporated herein by reference to Exhibit 10.02 of the Company's Form 8-K filed on April 24, 2007
10.18*	—	First Amendment to Change of Control Employment Agreement effective December 31, 2008 for Allan P. Merrill — incorporated herein by reference to Exhibit 10.8 of the Company's Form 10-Q for the quarter ended December 31, 2008
10.19*	—	Change of Control Agreement for Robert L. Salomon effective February 29, 2008
10.20*	—	Employment Letter for Kenneth F. Khoury effective January 5, 2009 — incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended December 31, 2008
10.21*	—	Change of Control Agreement for Kenneth F. Khoury effective December 5, 2008 — incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended December 31, 2008
10.22*	—	Form of Performance Shares Award Agreement dated as of February 2, 2006 — incorporated herein by reference to Exhibit 10.18 of the Company's Form 10-Q for the quarter ended March 31, 2006
10.23*	—	Form of Award Agreement dated as of February 2, 2006 — incorporated herein by reference to Exhibit 10.19 of the Company's Form 10-Q for the quarter ended March 31, 2006 (File No. 001-12822)
10.24*	—	2005 Executive Value Created Incentive Plan — incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on February 9, 2005
10.25*	—	Form of Indemnification Agreement — incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on July 1, 2008
10.26	—	Credit Agreement dated as of July 25, 2007 between the Company, the lenders thereto, and Wachovia Bank, National Association, as Agent, BNP Paribas, The Royal Bank of Scotland, and Guaranty Bank, as Documentation Agents, Regions Bank, as Senior Managing Agent, and JPMorgan Chase Bank, as Managing Agent — incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on July 26, 2007
10.27	—	Waiver and First Amendment, dated as of October 10, 2007, to and under the Credit Agreement, dated as of July 25, 2007, among the Company, the lenders thereto and Wachovia Bank, National Association, as Agent — incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 11, 2007
10.28	—	Second Amendment, dated October 26, 2007, to and under the Credit Agreement, dated as of July 25, 2007, among the Company, the lenders thereto and Wachovia Bank, National Association, as Agent — incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 30, 2007
10.29	—	Third Amendment, dated as of August 7, 2008, to and under the Credit Agreement, dated as of July 25, 2007, among the Company, the lenders thereto and Wachovia Bank, National Association, as Agent — incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 8, 2008

Exhibit Number		Exhibit Description
10.30	—	Fourth Amendment, dated as of July 31, 2009, to and under the Credit Agreement, dated as of July 25, 2007, among the Company, the lenders thereto and Wachovia Bank, National Association, as Agent — incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2009
10.31	—	Amended and Restated Credit Agreement, dated August 5, 2009, between the Company, the lenders and issuers thereto and CITIBANK, N.A., as Swing Line Lender and Agent — incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 2009
10.32*	—	2008 Beazer Homes USA, Inc. Deferred Compensation Plan, adopted effective January 1, 2008 — incorporated herein by reference to Exhibit 10.27 of the Company's Form 10-K for the fiscal year ended September 30, 2007
10.33*	—	Discretionary Employee Bonus Plan — incorporated herein by reference to Exhibit 10.28 of the Company's Form 10-K for the fiscal year ended September 30, 2007
10.34	—	2010 Equity Plan — incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the period ended March 31, 2010
10.35	—	Form of 2010 Equity Incentive Plan Employee Award Agreement for Option and Restricted Stock Awards — incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2010
10.36	—	Form of 2010 Equity Incentive Plan Director Award Agreement for Option and Restricted Stock Awards — incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2010
10.37	—	Exchange Agreement among Beazer Homes USA, Inc. and Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VII, Ltd. and Taberna Preferred Funding VIII, Ltd. dated as of January 15, 2010 — incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K dated January 21, 2010
10.38	—	Junior Subordinated Indenture between Beazer Homes USA, Inc. and Wilmington Trust Company, as trustee, dated as of January 15, 2010 — incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K dated January 21, 2010
21	—	Subsidiaries of the Company
23	—	Consent of Deloitte & Touche LLP
31.1	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Represents a management contract or compensatory plan or arrangement

(c) Exhibits

Reference is made to Item 15(a)3 above. The following is a list of exhibits, included in item 15(a)3 above, that are filed concurrently with this report.

3.3	—	Fourth Amended and Restated Bylaws of the Company
4.23	—	First Supplemental Indenture, dated October 27, 2010, among Beazer Homes USA, Inc., the subsidiary guarantors signatory thereto and U.S. Bank National Association, as trustee
10.19	—	Change of Control Agreement for Robert L. Salomon effective February 29, 2008
21	—	Subsidiaries of the Company
23	—	Consent of Deloitte & Touche LLP
31.1	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(d) Financial Statement Schedules

Reference is made to Item 15(a)2 above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Beazer Homes USA, Inc.
Date: November 5, 2010	By: /s/ Ian J. McCarthy Name: Ian J. McCarthy Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date November 5, 2010	By: /s/ Brian C. Beazer Brian C. Beazer, Director and Non-Executive Chairman of the Board
Date November 5, 2010	By: /s/ Ian J. McCarthy Ian J. McCarthy, Director, President and Chief Executive Officer (Principal Executive Officer)
Date November 5, 2010	By: /s/ Laurent Alpert Laurent Alpert, Director
Date November 5, 2010	By: /s/ Peter G. Leemputte Peter G. Leemputte, Director
Date November 5, 2010	By: /s/ Norma Provencio Norma Provencio, Director
Date November 5, 2010	By: /s/ Larry T. Solari Larry T. Solari, Director
Date November 5, 2010	By: /s/ Stephen P. Zelnak Stephen P. Zelnak, Jr., Director
Date November 5, 2010	By: /s/ Allan P. Merrill Allan P. Merrill, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date November 5, 2010	By: /s/ Robert L. Salomon Robert Salomo, Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)

FOURTH AMENDED AND RESTATED BY-LAWS
OF
BEAZER HOMES USA, INC.

(a Delaware corporation)
Approved November 4, 2010

ARTICLE I
STOCKHOLDERS

SECTION 1. *Annual Meetings*.

(a) All meetings of the Stockholders for the election of directors shall be held in the County of New Castle, State of Delaware, at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of Stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

(b) Annual meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect a Board of Directors in accordance with Article I, Section 5 of these By-Laws, and transact such other business as may properly be brought before the meeting.

(c) Written notice of the annual meeting stating the place, date, and hour of the meeting shall be given to each Stockholder entitled to vote at such meeting not less than ten days nor more than sixty days prior to the date of the meeting.

(d) The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder. Such list shall be open to the examination of any Stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Stockholder who is present. The stock ledger shall be the only evidence as to the Stockholders entitled to examine the stock ledger, the list required by this section or the books of the Corporation, or to vote in person or by proxy at any meeting of Stockholders.

SECTION 2. *Special Meetings*.

(a) Special meetings of the Stockholders, unless otherwise prescribed by statute, may be called by the Chairman of the Board, the President or by resolution of the Board of Directors. Notice of each special meeting shall be given in accordance with Subsection (b) of Section 2 of this Article I. Unless otherwise required by law, business transacted at any special meeting of Stockholders shall be limited to the purpose stated in the notice.

(b) Written notice of a special meeting stating the place, date, and hour of the meeting and, in general terms, the purpose or purposes for which the meeting is called, shall be given not less than ten days nor more than sixty days prior to the date of the meeting, to each Stockholder entitled to vote at such meeting. Whenever the directors shall fail to fix such place, the meeting shall be held at the principal executive offices of the Corporation.

SECTION 3. *Quorums*. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the Stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. Where a separate vote by class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to vote on the matter. If, however, any such quorum shall not be present or represented at any meeting of the Stockholders, the Stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at the meeting. When a quorum is once present it is not broken by the subsequent withdrawal of any Stockholder.

SECTION 4. *Organization*. Meetings of Stockholders shall be presided over by the Chairman, if any, or if none or in the Chairman's absence the President, if any, or if none or in the President's absence, by a Chairman to be chosen by the Stockholders entitled to vote who are present in person or by proxy at the meeting. The Secretary of the Corporation, or in the Secretary's absence an Assistant Secretary, shall act as Secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the presiding officer of the meeting shall appoint any person present to act as Secretary of the meeting.

SECTION 5. *Voting; Proxies; Required Vote*.

(a) At each meeting of Stockholders, every Stockholder shall be entitled to vote in person or by proxy appointed by an instrument in writing, subscribed by such Stockholder or by such Stockholder's duly authorized attorney-in-fact (but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period), and, unless the Certificate of Incorporation provides otherwise, shall have one vote for each share of stock entitled to vote registered in the name of such Stockholder on the books of the Corporation on the applicable record date fixed pursuant to these By-Laws. At all elections of directors the voting may but need not be by ballot and, when a quorum is present, each director shall be elected if the votes cast for such director exceed the votes cast against such director; provided, however, that directors shall be elected by the affirmative vote of holders of a plurality of the stock present in person or represented by proxy and entitled to vote on such election in connection with any Contested Election, as defined herein. For purposes of this Section 5, a "Contested Election" is any election of directors in connection with which (a)(i) the Secretary of the Corporation receives notice, in compliance with the advance notice requirements for Stockholder nominees for director set forth in Article II, Section 14 of these By-Laws, that a Stockholder has nominated one or more persons to compete with the persons nominated by the Board of Directors for election to the Board of Directors and (ii) such nomination has not been withdrawn by such Stockholder on or prior to the fifth day preceding the date the Corporation first mails its notice of meeting for such meeting to the Stockholders or (b) one or more directors has been presented for election by a Stockholder or Stockholders pursuant to a solicitation of written consents pursuant to Section 5(b) of this Article I. If directors are to be elected by a plurality of the votes cast, Stockholders shall not be permitted to vote against a nominee. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one on which by express provision of applicable law (including the General Corporation Law of the State of Delaware), the Certificate of Incorporation or these By-laws, a different vote is required in which case such express provision shall govern and control the decision of such question.

(b) Any action required or permitted to be taken at any meeting of Stockholders may, except as otherwise required by law or the Certificate of Incorporation, be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and the writing or writings are filed with the permanent records of the Corporation. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those Stockholders who have not consented in writing.

(c) Where a separate vote by a class or classes is required, the affirmative vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class, unless otherwise provided by the General Corporation Law of the State of Delaware or in the Corporation's Certificate of Incorporation.

(d) Any vote of Stockholders required by Section 14A of the Securities Exchange Act of 1934 with respect to providing alternatives in establishing the frequency of Stockholder vote on non-binding resolutions regarding the Corporation's executive compensation program shall be decided by a plurality vote.

SECTION 6. *Inspector of Election*. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not so appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all Stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question or matter determined by such inspector or inspectors and execute a certificate of any fact found by such inspector or inspectors.

SECTION 7. *Notice of Stockholder Business*.

(a) At an annual meeting of the Stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of meeting; (ii) by or at the direction of the Board of Directors; or (iii) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of the notice provided for in this Section 7, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 7.

(b) For business to be properly brought before an annual meeting by a Stockholder pursuant to clause (a) (iii) of this Section 7, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 120 days nor more than 150 days prior to the first anniversary of the date of the Company's notice of annual meeting for the preceding year's annual meeting; provided, however, that in the event that the date of the meeting is changed by more than 30 days from the anniversary date of the preceding year's annual meeting, notice by the Stockholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made.

(c) A Stockholder's notice to the Secretary shall set forth as to each matter the Stockholder proposes to bring before the meeting the following information and documents, as applicable, (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting; (ii) the name and address, as they appear on the Corporation's books, of the Stockholder proposing such business, and the name and address of the Beneficial Owner (as defined in Section 7(e)), if any, on whose behalf the proposal is made; (iii) the class and number of shares of the Corporation which are Beneficially Owned and/or owned of record by such Stockholder of record and/or by the Beneficial Owner, if any, on whose behalf the proposal is made; (iv) any material interest of such Stockholder of record and the Beneficial Owner, if any, on whose behalf such Stockholder is acting in the action being taken ("Other Interests"); (v) the name of each individual, firm, corporation, limited liability company, partnership, trust or other entity (including any successor thereto, a "Person") with whom any such Stockholder, Beneficial Owner, related Stockholder Nominee (as defined in Article II, Section 14(c)), if any, their respective affiliates and associates (each as defined under Regulation 12B under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) ("Affiliates" and "Associates", respectively), or any successor provision thereto) (each of the foregoing, a "Stockholder Group Member") and each other Person with whom any Stockholder Group Member is acting in concert with respect to the Corporation (each Stockholder Group Member and each other Person described in this clause (v), with respect to any Stockholder and including such Stockholder, a "Covered Person") has any agreement, arrangement or understanding (whether written or oral) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy given to such Person in response to a public proxy solicitation made generally by such Person to all holders of stock of any class or series entitled to vote generally in the election of directors ("Voting Stock")) or disposing of any Voting Stock or to cooperate in obtaining, changing or influencing the control of the Corporation (except independent financial, legal and other advisors acting in the ordinary course of their respective businesses), and a description of each such agreement, arrangement or understanding (whether written or oral); (vi) a list of (A) the class or series and number of shares of Voting Stock that are Beneficially Owned or owned of record by each Covered Person, together with documentary evidence of such record or Beneficial Ownership, and (B) each debt security or other debt obligation of the Corporation or any of its subsidiaries ("Debt Obligations") that is Beneficially Owned or owned of record by each Covered Person, together with documentary evidence of such record or Beneficial Ownership; (vii) a list of (A) all of the derivative securities (as defined under Rule 16a-1 under the Exchange Act) and other derivatives or similar agreements or arrangements with an exercise or conversion privilege or a periodic or settlement payment or payments or mechanism at a price or in an amount or amounts related to any security of the Corporation or to any Debt Obligation or with a value derived or calculated in whole or in part from the value of any security of the Corporation or any Debt Obligation, in each case, directly or indirectly owned of record or Beneficially Owned by any Covered Person and (B) each other direct or indirect opportunity of any Covered Person to profit or share in any profit derived from any increase or decrease in the value of any security of the Corporation or any Debt Obligation, in each case, regardless of whether (1) such interest conveys any voting rights in such security or Debt Obligation to such Covered Person, (2) such interest is required to be, or is capable of being, settled through delivery of such security or Debt Obligation or (3) such Covered Person may have entered into other transactions that hedge the economic effect of such interest (any interest described in subclause (A) or (B) of this clause (vii) being a "Derivative Interest"); (viii) a description of each agreement, arrangement or understanding (whether written or oral) with the effect or intent of increasing or decreasing the voting power of, or that contemplates any Person voting together with, any Covered Person with respect to any matter subject to a vote of Stockholders ("Voting Arrangements"); (ix) a description of all economic terms of all such Derivative Interests, Voting Arrangements and Other Interests and copies of all agreements and other documents (including but not limited to master agreements, confirmations and all ancillary documents and the names and details of the counterparties to, and brokers involved in, all such transactions) relating to each such Derivative Interest, Voting Arrangement and Other Interest; and (x) a list of all transactions by each Covered Person involving any Voting Stock, Debt Obligations or any Derivative Interests, Voting Arrangements or Other Interests within 3 months prior to the date of such notice. A notice delivered by or on behalf of any Stockholder under this Section 7(c) shall be deemed to be not in compliance with this Section 7 and not effective if (x) such notice does not include all of the information and documents required under this Section 7(c) or (y) after delivery of such notice, any information or document required to be included in such notice changes or is amended, modified or supplemented, as applicable, prior to the date of the relevant meeting and such information and/or document is not delivered to the Corporation by way of a further written notice as promptly as practicable following the event causing such change in information or amendment, modification or supplement, as applicable, and in any case where such event occurs within 45 days of the date of the relevant meeting, within five business days after such event; provided, however, that the Board of Directors shall have the authority to waive any such non-compliance if the Board of Directors determines that such action is appropriate in the exercise of its fiduciary duties. The foregoing notice requirements of this Section 7(c) shall be deemed satisfied by a Stockholder if the Stockholder has notified the Corporation of such Stockholder's intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such Stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(d) Notwithstanding anything in these By-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures and other requirements set forth in this Section 7. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures and requirements prescribed by these By-laws, and if he should so determine, he shall so declare to the meeting and such business shall not be transacted. Notwithstanding the foregoing provisions of this Section 7, a Stockholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this Section 7. Notwithstanding the foregoing provisions of this Section 7, unless otherwise required by applicable law, if the Stockholder (or a Qualified Representative of the Stockholder) does not appear at the annual or special meeting of Stockholders to present a proposed business previously put forward by or on behalf of such Stockholder or, immediately prior to the commencement of such meeting, such Stockholder does not provide a written certification to the Corporation on and as of the date of the applicable meeting that such Stockholder and each Covered Person, if any, is then in compliance with Section 7, then such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of these By-Laws, a "Qualified Representative" of a Stockholder shall mean a Person that is a duly authorized officer, manager or partner of such Stockholder or a Person authorized by a writing executed by such Stockholder and each Covered Person, if any, or by an electronic transmission delivered by such Stockholder and each Covered Person, if any, to act for such Stockholder and each Covered Person, if any, as proxy at the meeting of Stockholders and to provide such certification on behalf of the Stockholder and each Person required pursuant to this Section 7(d), which Person produces such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Stockholders.

(e) A Person shall be deemed the “Beneficial Owner” of, shall be deemed to “Beneficially Own” and shall be deemed to have “Beneficial Ownership” of, any Voting Stock or Debt Obligation (i) that such Person or any of such Person’s Affiliates or Associates is deemed to “beneficially own” within the meaning of Section 13(d) of, and Regulation 13D under, the Exchange Act or any successor provision thereto (with each reference to “security” in Rule 13d-3 under the Exchange Act being deemed to include Debt Obligations), or (ii) that is the subject of, or the reference security for or that underlies any Derivative Interest of such Person or any of such Person’s Affiliates or Associates, with the number of shares of Voting Stock (or amount of Debt Obligations) deemed Beneficially Owned being the notional or other number of shares of Voting Stock (or amount of Debt Obligations) specified in the documentation evidencing the Derivative Interest as being subject to be acquired upon the exercise or settlement of the Derivative Interest or as the basis upon which the value or settlement amount of such Derivative Interest is to be calculated in whole or in part or, if no such number of shares of Voting Stock (or amount of Debt Obligations) is specified in such documentation, as determined by the Board of Directors in good faith to be the number of shares of Voting Stock (or amount of Debt Obligations) to which the Derivative Interest relates. When two or more Persons act as a partnership, limited partnership, syndicate, or other group, or otherwise act in concert, in each case, for the purpose of acquiring, holding, or disposing of securities of the Corporation (or Debt Obligations) or for the purpose of proposing one or more Stockholder Nominees, putting forward any other proposal for consideration or voting together on any matter presented at a Stockholders meeting, such syndicate or group shall be deemed a “Person” for the purpose of this Section 7(e). In addition, any Person who, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement or any contract, arrangement, or device with the purpose or effect of divesting such Person of Beneficial Ownership of any Voting Stock or any Debt Obligation or preventing the vesting of such Beneficial Ownership as part of a plan or scheme to evade the notice procedures and requirements of these By-Laws shall be deemed for the purposes of these By-Laws to be the Beneficial Owner of such Voting Stock or Debt Obligation

SECTION 8. *Stockholder Request For Action By Written Consent*. Any Stockholder of record seeking to have the Stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date in accordance with Section 3(b) of Article VI hereof. The Board of Directors shall promptly, but in all events within ten days after the date on which such a request is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to Section 3(b) of Article VI hereof). If no record date has been fixed by the Board of Directors within such ten-day period, the record date shall be determined in accordance with the provisions of Section 3(b) of Article VI hereof.

ARTICLE II
BOARD OF DIRECTORS

SECTION 1. *General Powers*. The business, property and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors.

SECTION 2. *Qualification; Number; Term; Remuneration.*

(a) Each director shall be at least 18 years of age. A director need not be a Stockholder, a citizen of the United States, or a resident of the State of Delaware. The number of directors constituting the entire Board shall be one or such other number as may be fixed from time to time by the Board of Directors. One of the directors may be selected by the Board of Directors to be its Chairman, who shall preside at meetings of the Stockholders and the Board of Directors and shall have such other powers and duties, if any, as may from time to time be assigned by the Board of Directors. In the absence of formal selection, the President of the Corporation shall serve as Chairman. The use of the phrase “entire Board” herein refers to the total number of directors which the Corporation would have if there were no vacancies.

(b) Directors who are elected at an annual meeting of Stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of Stockholders and until their successors are elected and qualified or until their earlier resignation or removal.

(c) Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary for serving as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing Committees may be allowed like compensation for attending Committee meetings.

SECTION 3. *Quorum and Manner of Voting*. Except as otherwise provided by law, a majority of the entire Board of Directors shall constitute a quorum. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting from time to time to another time and place without notice. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 4. *Places of Meetings*. Meetings of the Board of Directors may be held at any place within or without the State of Delaware, as may from time to time be fixed by resolution of the Board of Directors, or as may be specified in the notice of meeting.

SECTION 5. *Annual Meeting*. Following the annual meeting of Stockholders, the newly elected Board of Directors shall meet for the purpose of the election of officers and the transaction of such other business as may properly come before the meeting. Such meeting may be held without notice immediately after the annual meeting of Stockholders at the same place at which such Stockholders' meeting is held.

SECTION 6. *Regular Meetings*. Regular meetings of the Board of Directors shall be held at such times and places as the Board of Directors shall from time to time by resolution determine.

SECTION 7. *Special Meetings*. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, President, or by a majority of the directors then in office.

SECTION 8. *Notice of Meetings*. A notice of the place, date and time and the purpose or purposes of each meeting of the Board of Directors shall be given to each director by mailing the same at least two days before the meeting, or by telephoning or faxing the same or by delivering the same personally not later than the day before the day of the meeting.

SECTION 9. *Organization*. At all meetings of the Board of Directors, the Chairman or in the Chairman's absence or inability to act, the President, or in the President's absence, a Chairman chosen by the directors, shall preside. The Secretary of the Corporation or an Assistant Secretary of the Corporation as determined by the Secretary of the Corporation shall act as secretary at all meetings of the Board of Directors when present, and, in the Secretary's or Assistant Secretary's absence, the presiding officer may appoint any person to act as Secretary.

SECTION 10. *Resignation*. Any director may resign at any time upon written notice to the Corporation and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares of stock outstanding and entitled to vote for the election of directors.

SECTION 11. *Vacancies*. Unless otherwise provided in these By-Laws, vacancies on the Board of Directors, whether caused by resignation, death, disqualification, removal, an increase in the authorized number of directors or otherwise, may be filled by the affirmative vote of a majority of the remaining directors, although less than a quorum, or by a sole remaining director, or at a special meeting of the Stockholders, by vote of the Stockholders required for the election of directors generally.

SECTION 12. *Action by Written Consent*. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all the directors consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

SECTION 13. *Electronic Communication*. Any member or members of the Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other.

SECTION 14. *Nomination of Directors*.

(a) Only persons who are nominated in accordance with the procedures and other requirements set forth in these By-laws shall be eligible to serve as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of Stockholders (i) by or at the direction of the Board of Directors or (ii) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of notice provided for in Section 14(c) below, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section 14.

(b) Nominations by Stockholders shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 120 days nor more than 150 days prior to the first anniversary of the date of the Company's notice of annual meeting for the preceding year's annual meeting; provided however, that in the event that the date of the annual meeting is changed by more than 30 days from the anniversary date of the preceding year's annual meeting, notice by the Stockholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made and (ii) in the case of a special meeting at which directors are to be elected, not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made.

(c) Such Stockholder's notice shall set forth and include the following information and/or documents, as applicable, (i) as to each person whom the Stockholder proposes to nominate for election or reelection as a director (a "Stockholder Nominee") (x) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (y) a statement whether such person, if elected, intends to tender, promptly following such person's election or re-election, an irrevocable resignation effective only upon (A) such person's failure to receive the required vote for re-election at the next meeting at which such person would face re-election and (B) acceptance of such resignation by the Board of Directors; (ii) as to the Stockholder giving the notice (x) the name and address, as they appear on the Corporation's books, of such Stockholder, (y) the class and number of shares of the Corporation which are Beneficially Owned by such Stockholder and also which are owned of record by such Stockholder; (iii) as to the Beneficial Owner, if any, on whose behalf the nomination is made, (x) the name and address of such person, and (y) the class and number of shares of the Corporation which are Beneficially Owned by such person; (iv) the name of each Covered Person, and a description of each agreement, arrangement or understanding (whether written or oral) of any Covered Person for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy given to such Person in response to a public proxy solicitation made generally by such Person to all holders of Voting Stock) or disposing of any Voting Stock or to cooperate in obtaining, changing or influencing the control of the Corporation (except independent financial, legal and other advisors acting in the ordinary course of their respective businesses); (v) a list of (A) the class or series and number of shares of Voting Stock that are Beneficially Owned or owned of record by each Covered Person, together with documentary evidence of such record or Beneficial Ownership, and (B) each Debt Obligation that is Beneficially Owned or owned of record by each Covered Person, together with documentary evidence of such record or Beneficial Ownership; (vi) a list of all Derivative Interests of any Covered Person; (vii) a description of all Voting Arrangements of any Covered Person; (viii) all Other Interests; (ix) a description of all economic terms of all such Derivative Interests, Voting Arrangements and Other Interests and copies of all agreements and other documents (including but not limited to master agreements, confirmations and all ancillary documents and the names and details of the counterparties to, and brokers involved in, all such transactions) relating to each such Derivative Interest, Voting Arrangement and Other Interest; and (x) a list of all transactions by each Covered Person involving any Voting Stock, any Debt Obligations or any Derivative Interests, Voting Arrangements or Other Interests within 3 months prior to the date of such notice. A notice delivered by or on behalf of any Stockholder under this Section 14(c) shall be deemed to be not in compliance with this Section 14 and not effective if (x) such notice does not include all of the information and documents required under this Section 14(c) or (y) after delivery of such notice, any information or document required to be included in such notice changes or is amended, modified or supplemented, as applicable, prior to the date of the relevant meeting and such information and/or document is not delivered to the Corporation by way of a further written notice as promptly as practicable following the event causing such change in information or amendment, modification or supplement, as applicable, and in any case where such event occurs within 45 days of the date of the relevant meeting, within five business days after such event; provided, however, that the Board of Directors shall have the authority to waive any such non-compliance if the Board determines that such action is appropriate in the exercise of its fiduciary duties. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a Stockholder's notice of nomination which pertains to the nominee.

(d) No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures and other requirements set forth in this Section 14. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures and requirements prescribed by these By-laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 14, a Stockholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this Section 14. Notwithstanding the foregoing provisions of this Section 14, unless otherwise required by applicable law, if the Stockholder (or a Qualified Representative of the Stockholder) does not appear at the annual or special meeting of Stockholders to present a nomination previously put forward by or on behalf of such Stockholder or, immediately prior to the commencement of such meeting, such Stockholder does not provide a written certification to the Corporation on and as of the date of the applicable meeting that such Stockholder and each Covered Person, if any, is then in compliance with Section 14, then such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

ARTICLE III
COMMITTEES

SECTION 1. *Appointment*. The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more Committees, each Committee to consist of two or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any Committee, who may replace any absent or disqualified member at any meeting of the Committee. Any such Committee, to the extent provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such Committee or Committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

SECTION 2. *Procedures; Quorum and Manner of Acting*. Each Committee shall fix its own rules of procedure, and shall meet where and as provided by such rules or by resolution of the Board of Directors. Except as otherwise provided by law, the presence of a majority of the then appointed members of a Committee shall constitute a quorum for the transaction of business by that Committee, and in every case where a quorum is present the affirmative vote of a majority of the members of the Committee present shall be the act of the Committee. Each Committee shall keep minutes of its proceedings, and actions taken by a Committee shall be reported to the Board of Directors.

SECTION 3. *Action by Written Consent.* Any action required or permitted to be taken at any meeting of any Committee of the Board of Directors may be taken without a meeting if all the members of the Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Committee.

SECTION 4. *Electronic Communication*. Any member or members of a Committee of the Board of Directors may participate in a meeting of a Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other.

SECTION 5. *Termination*. In the event any person shall cease to be a director of the Corporation, such person shall simultaneously therewith cease to be a member of any Committee appointed by the Board of Directors.

ARTICLE IV
OFFICERS

SECTION 1. *Election and Qualifications*. The Board of Directors at its first meeting held after each annual meeting of Stockholders shall elect the officers of the Corporation, which shall include a President and a Secretary, and may include, by election or appointment, one or more Vice-Presidents (any one or more of whom may be given an additional designation of rank or function), a Treasurer and such Assistant Secretaries, such Assistant Treasurers, and such other officers as the Board of Directors may from time to time deem proper. Each officer shall have such powers and duties as may be prescribed by these By-Laws and as may be assigned by the Board of Directors or the President. Any two or more offices may be held by the same person.

SECTION 2. *Term of Office and Remuneration*. The term of office of all officers shall be one year and until their respective successors have been elected and qualified, but any officer may be removed from office, either with or without cause, at any time by the Board of Directors. Any vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of

Directors. The remuneration of all officers of the Corporation may be fixed by the Board of Directors or in such manner as the Board of Directors shall provide.

SECTION 3. *Resignation; Removal*. Any officer may resign at any time upon written notice to the Corporation and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Any officer shall be subject to removal, with or without cause, at any time by the Board of Directors.

SECTION 4. *Powers and Duties of Officers*.

(a) The President shall be the chief executive officer of the Corporation and, in the absence of the Chairman or if there is no Chairman, shall preside at all meetings of the Stockholders and of the Board of Directors. The President shall have general management of and supervisory authority over the property, business and affairs of the Corporation and its other officers. The President may execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and instruments, and shall have such other authority and perform such other duties as from time to time may be assigned by the Board of Directors. The President shall see that all orders and resolutions of the Board of Directors are carried into effect and shall perform such additional duties that usually pertain to this office.

(b) A Vice President may execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and instruments pertaining to the regular course of such Vice President’s duties, and shall have such other authority and perform such other duties as from time to time may be assigned by the Board of Directors or the President.

(c) The Treasurer shall in general have all duties and authority incident to the position of Treasurer and such other duties and authority as may be assigned by the Board of Directors or the President. The Treasurer shall keep full and accurate accounts of receipts and disbursement in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by or at the direction of the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the President, and shall render, upon request, an account of all such transactions.

(d) The Secretary shall in general have all the duties and authority incident to the position of Secretary and such other duties and authority as may be assigned by the Board of Directors or the President. The Secretary shall attend all meetings of the Board of Directors and all meetings of Stockholders and record all the proceedings thereat in a book or books to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the Stockholders and special meetings of the Board of Directors. The Secretary shall have custody of the seal of the Corporation and any officer of the Corporation shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or any other officer. The Secretary shall be permitted to delegate these duties to an Assistant Secretary as the Secretary deems appropriate from time to time.

(e) Any assistant officer shall have such duties and authority as the officer such assistant officer assists and, in addition, such other duties and authority as the Board of Directors or President shall from time to time assign.

ARTICLE V
CONTRACTS, ETC.

SECTION 1. *Contracts*. The Board of Directors may authorize any person or persons, in the name and on behalf of the Corporation, to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

SECTION 2. *Proxies; Powers of Attorney; Other Instruments*.

(a) The Chairman, the President, any Vice President, the Treasurer or any other person designated by any of them shall have the power and authority to execute and deliver proxies, powers of attorney and other instruments on behalf of the Corporation in connection with the execution of contracts, the purchase of real or personal property, the rights and powers incident to the ownership of stock by the Corporation and such other situations as the Chairman, the President, such Vice President or the Treasurer shall approve, such approval to be conclusively evidenced by the execution of such proxy, power of attorney or other instrument on behalf of the Corporation.

(b) The Chairman, the President, any Vice President, the Treasurer or any other person authorized by proxy or power of attorney executed and delivered by any of them on behalf of the Corporation may attend and vote at any meeting of stockholders of any company in which the Corporation may hold stock, and may exercise on behalf of the Corporation any and all of the rights and powers incident to the ownership of such stock at any such meeting, or otherwise as specified in the proxy or power of attorney so authorizing any such person. The Board of Directors, from time to time, may confer like powers upon any other person.

ARTICLE VI
BOOKS AND RECORDS

SECTION 1. *Location*. The books and records of the Corporation may be kept at such place or places within or outside the State of Delaware as the Board of Directors or the respective officers in charge thereof may from time to time determine. The record books containing the names and addresses of all Stockholders, the number and class of shares of stock held by each and the dates when they respectively became the owners of record thereof shall be kept by the Secretary as prescribed in the By-Laws or by such officer or agent as shall be designated by the Board of Directors.

SECTION 2. *Addresses of Stockholders*. Notices of meetings and all other corporate notices may be delivered personally or mailed to each Stockholder at the Stockholder’s address as it appears on the records of the Corporation.

SECTION 3. *Fixing Date for Determination of Stockholders of Record*.

(a) In order that the Corporation may determine the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date shall not be more than sixty days nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of Stockholders of record entitled to notice of or to vote at a meeting of Stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the Stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of Stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the Stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the Stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action not contemplated by paragraph (a) or (b) of this Section 3, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining Stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE VII
CERTIFICATES REPRESENTING STOCK

SECTION 1. *Certificates; Signatures*. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate, signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, or the President or Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, representing the number of shares registered in certificate form. Any and all signatures on any such certificate may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. The name of the holder of record of the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the books of the Corporation. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

SECTION 2. *Transfers of Stock*. Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, shares of capital stock shall be transferable on the books of the Corporation only by the holder of record thereof in person, or by duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares, properly endorsed, and the payment of all taxes due thereon.

SECTION 3. *Fractional Shares*. The Corporation may, but shall not be required to, issue certificates for fractions of a share where necessary to effect authorized transactions, or the Corporation may pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or it may issue scrip in registered or bearer form over the manual or facsimile signature of an officer of the Corporation or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a Stockholder except as therein provided.

SECTION 4. *Lost, Stolen or Destroyed Certificates*. The Corporation may issue a new certificate of stock in place of any certificate, theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Board of Directors may require the owner of any lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

ARTICLE VIII
DIVIDENDS

Subject to the provisions of applicable law and the Certificate of Incorporation, the Board of Directors shall have full power to determine whether any, and, if any, what part of any, funds legally available for the payment of dividends shall be declared as dividends and paid to Stockholders; the division of the whole or any part of such funds of the Corporation shall rest wholly within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the Stockholders as dividends or otherwise; and before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve. Stockholders shall receive dividends pro rata in proportion to the number of shares of Common Stock respectively held by them. A holder of Common Stock shall be deemed to share pro rata in all dividends declared by the Board of Directors within the meaning of the preceding sentence if such Stockholder receives assets (whether consisting of cash, securities, real property, equipment, inventory or other assets) the fair market value of which is in the same proportion to the fair market value of the total assets of the Corporation distributed as a dividend as the number of shares of Common Stock held by such holder of Common Stock is to the total number of issued and outstanding shares of Common Stock of the Corporation. A Stockholder shall not have the right to receive a pro rata share of each or any such asset distributed as a dividend, however, the Corporation shall not be prohibited hereby from making a pro rata distribution of each or any such asset available for distribution as a dividend. The fair market value of any and all assets of the Corporation distributed as a dividend shall be determined in the sole discretion of the Corporation’s Board of Directors.

ARTICLE IX
RATIFICATION

Any transaction, questioned in any lawsuit on the ground of lack of authority, defective or irregular execution, adverse interest of any director, officer or Stockholder, non disclosure, miscomputation, or the application of improper principles or practices of accounting, may be ratified before or after judgment, by the Board of Directors or by the Stockholders, as appropriate, and if so ratified shall have the same force and effect as if the questioned transaction had been originally duly authorized. Such ratification shall be binding upon the Corporation and its Stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE X
CORPORATE SEAL

The corporate seal shall contain the words "Corporate Seal" and such additional information as the officer inscribing such seal shall determine in such officer's sole discretion. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise displayed or it may be manually inscribed.

ARTICLE XI
FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and shall be subject to change, by the Board of Directors. Unless otherwise fixed by the Board of Directors, the fiscal year of the Corporation shall end on September 30.

ARTICLE XII
WAIVER OF NOTICE

Whenever notice is required to be given by these By-Laws or by the Certificate of Incorporation or by law, a written waiver thereof, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

ARTICLE XIII
AMENDMENTS

The Board of Directors shall have power to adopt, amend or repeal By-Laws. By-Laws adopted by the Board of Directors may be repealed or changed, and new By-Laws made, by the Stockholders, and the Stockholders may prescribe that any By-Law made by them shall not be altered, amended or repealed by the Board of Directors.

ARTICLE XIV
INDEMNIFICATION

SECTION 1. *Power to Indemnify in Action, Suits or Proceedings*. The Corporation shall indemnify and hold harmless to the fullest extent authorized by Delaware law, as the same exists or may hereinafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), or by other applicable law as then in effect, any person who was or is a party to or is threatened to be made a party to or is involved in (including, without limitation, as a witness) any proceeding, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is an Eligible Person (hereinafter, an "Indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, agent or manager or in any other capacity while serving as a director, officer, employee, agent or manager, against all expense, liability and loss (including attorneys' and other professionals' fees, judgments, fines, ERISA taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith.

SECTION 2. *Expenses Payable In Advance*. To the fullest extent authorized by Delaware law, the Corporation shall, from time to time, advance (or if previously paid by the Class 1 Indemnitee, reimburse) to any Class 1 Indemnitee funds sufficient for the payment of all expenses (including attorneys' and other professionals' fees and disbursements and court costs) actually and reasonably incurred by such Class 1 Indemnitee in connection with the investigation of, response to, defense (including any appeal) of or settlement of any proceeding, in the case of each such proceeding upon receipt of an undertaking by or on behalf of such Class 1 Indemnitee to repay such amount if it shall ultimately be determined that such Class 1 Indemnitee is not entitled to be indemnified by the Corporation against such expenses. No collateral securing or other assurance of performance of such undertaking shall be required of such Class 1 Indemnitee by the Corporation.

SECTION 3. *Indemnification and Advancement of Expenses to Certain Other Persons*. The Corporation may, by action of its Board of Directors, from time to time grant rights to advancement of expenses to any Indemnitee who is not a Class 1 Indemnitee and rights to indemnification and advancement of expenses to any agents of the Corporation with the same scope and effect as the provisions of this Article with respect to the indemnification of and advancement of expenses to Class 1 Indemnitees. By resolution adopted by affirmative vote of a majority of the Board of Directors, the Board of Directors may delegate to the appropriate officers of the Corporation the decision to grant from time to time rights to advancement of expenses to any Indemnitee who is not a Class 1 Indemnitee and rights to indemnification and advancement of expenses to any agents of the Corporation pursuant to this Section 3.

SECTION 4. *Exclusion of Claims Against the Corporation*. No Indemnitee shall be entitled to any advance or reimbursement by the Corporation of expenses, or to indemnification from or to be held harmless by the Corporation against expenses, incurred by him or her in asserting any claim or commencing or prosecuting any suit, action or proceeding (or part thereof) against the Corporation (except as provided in Section 5 of this Article) or any subsidiary of the Corporation or any current or former director, officer, employee or agent of the Corporation or of any subsidiary of the Corporation, but such advancement (or reimbursement) and indemnification and hold harmless rights may be provided by the Corporation in any specific instance as permitted by Sections 7 or 9 of this Article, or in any specific instance in which the Board of Directors shall first authorize the commencement or prosecution of such a suit, action or proceeding (or part thereof) or the assertion of such a claim.

SECTION 5. *Indemnification By A Court*. Notwithstanding Section 4 of this Article, if a claim under Section 1 of this Article XIV is not paid in full by the Corporation within forty (40) days after a written claim has been received by the Corporation or if a claim under Section 2 of this Article XIV is not paid in full by the Corporation within ten (10) days after a written claim has been received by the Corporation, an Indemnitee or Class 1 Indemnitee (as appropriate) may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the Indemnitee or Class 1 Indemnitee (as appropriate) shall be entitled to be paid also the expense of prosecuting such suit. The Indemnitee or Class 1 Indemnitee (as appropriate) shall be presumed to be entitled to indemnification and advancement of expenses under this Article XIV upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses where the required undertaking, if any is required, has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the Indemnitee or Class 1 Indemnitee (as appropriate) is not so entitled. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the Indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the Indemnitee is not so entitled. The rights to indemnification and advancement (or reimbursement) of expenses provided by, or granted pursuant to, this Article shall be enforceable by any person entitled to such indemnification or advancement (or reimbursement) of expenses in any court of competent jurisdiction. Notice of any application to a court by an Indemnitee pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application; provided, however, that such notice shall not be a requirement for an award of or a determination of entitlement to indemnification or advancement (or reimbursement) of expenses.

SECTION 6. *Certain Definitions*. For purposes of this Article XIV, a "proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative. For purposes of this Article XIV, an "Eligible Person" is any person who is or was a director, officer, or employee of the Corporation or, while a director, officer, or employee of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent or manager of another corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity, including service with respect to an employee benefit plan. For purposes of this Article XIV, a "Class 1 Indemnitee" is any Indemnitee who serves or served as a director or executive officer of the Corporation (such executive officers to be designated from time to time by the Board of Directors, subject to the limitations in Sections 7 and 8 of this Article XIV) on or after June 30, 2008.

SECTION 7. *Non-Exclusivity and Survival of Indemnification*. The rights to indemnification and to the advancement of expenses provided by or granted pursuant to this Article XIV shall be deemed independent of, and shall not be deemed exclusive of or a limitation on, any other rights to which any person seeking indemnification or advancement of expenses may be entitled or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Law, agreement, vote of Stockholders or of disinterested directors or otherwise, both as to such person's official capacity and as to action in another capacity while holding such office, it being the intent of the Corporation that indemnification of Indemnitees and advancement of expenses to Class 1 Indemnitees shall be made to the fullest extent permitted by law, including as a result of any amendment of the General Corporation Law of the State of Delaware expanding the right of corporations to indemnify and advance expenses. The Corporation's obligation, if any, to indemnify, to hold harmless, or to advance or reimburse expenses to any Indemnitee who was or is serving at its request as a director, officer, employee, agent or manager of another corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity shall be reduced by any amount such Indemnitee may collect as indemnification, holding harmless, or advancement or reimbursement of expenses from such other corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity. The rights to indemnification and advancement (or reimbursement) of expenses provided by, or granted pursuant to, this Article XIV shall continue as to a person who has ceased to be a director or officer of the Corporation (or in the case of any other person entitled to indemnity hereunder, has ceased to serve the Corporation) and shall inure to the benefit of the estate, heirs, legatees, distributes, executors, administrators and other comparable legal representatives of such person.

SECTION 8. *Contractual Rights*. The provisions of this Article XIV shall constitute a contract between the Corporation, on the one hand, and, on the other hand, each individual who serves or has served as a director, officer or employee of the Corporation (whether before or after the adoption of this Section 8), in consideration of such person's performance of services for the Corporation, and also between the Corporation and any other person entitled to indemnity hereunder, and pursuant to this Article XIV the Corporation intends to be legally bound to each such current or former director, officer, or employee of the Corporation or other person. With respect to current directors, officers or employees of the Corporation, the rights conferred under this Article XIV are present contractual rights and such rights are fully vested, and shall be deemed to have vested fully, immediately upon adoption of this By-law. With respect to any directors, officers or employees of the Corporation who commence service following adoption of this By-law, the rights conferred under this provision shall be present contractual rights and such rights shall fully vest, and be deemed to have vested fully, immediately upon such director, officer or employee commencing service as a director, officer or employee of the Corporation. Neither amendment nor repeal of any provision of this Article XIV nor the adoption of any provision of the Certificate of Incorporation or By-Laws of the Corporation inconsistent with this Article XIV nor a decision by the Board of Directors that an individual designated an executive officer pursuant to Section 6 of this Article XIV shall no longer be designated an executive officer shall, in any such case, eliminate or reduce the effect of this Article XIV in respect of any act or omission occurring, or any cause of action or claim that accrues or arises or any state of facts existing, at the time of or before such amendment, repeal, modification, adoption of an inconsistent provision or decision of the Board of Directors (even in the case of a proceeding based on such a state of facts that is commenced after such time).

SECTION 9. *Insurance*. The Corporation may, but shall not be required to, purchase and maintain insurance, at its expense, on behalf of itself and any person who is or was a director, officer, employee, agent or manager of the Corporation or another corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity, including service with respect to an employee benefit plan, against any expense, liability or loss, whether or not the Corporation would have the power or the obligation to indemnify such person against such expense, liability or loss under Delaware law. Nothing contained in this Article XIV shall prevent the Corporation from entering into with any person who is or was a director, officer, employee or agent of the Corporation or who is or was serving any corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity in which the Corporation has any direct or indirect interest as a director, officer, partner, member, trustee, employee, agent or manager or in any like capacity any agreement that provides independent indemnification, hold harmless and/or exoneration rights to such person or further regulates the terms on which indemnification, hold harmless and/or exoneration rights are to be provided to such person or provides independent assurance of the Corporation's obligation to indemnify, hold harmless and/or exonerate such person, whether or not such indemnification, hold harmless and/or exoneration rights are on the same or different terms than provided for by this Article XIV or is in respect of such person acting in any other capacity, and nothing contained herein shall be exclusive of, or a limitation on, any right to indemnification, to be held harmless, to exoneration or to advancement or reimbursement of expenses to which any person is otherwise entitled. The Corporation may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification and the advancement of expenses as provided in this Article XIV.

Exhibit 4.23

BEAZER HOMES USA, INC. AND THE SUBSIDIARY GUARANTORS SIGNATORY HERETO

First Supplemental Indenture

Dated as of October 27, 2010

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of October 27, 2010, by and among BEAZER HOMES USA, INC., a corporation duly incorporated and existing under the laws of the State of Delaware (the "Company"), having its principal office at 1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328, the Subsidiary Guarantors signatory hereto, each having its principal office at 1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, having an office at 1349 West Peachtree Street NW, Suite 1050, Atlanta, Georgia 30309, as Trustee (the "Trustee"), under the Indenture, dated as of September 11, 2009 (the "Original Indenture"), which Original Indenture was executed and delivered by the Company to the Trustee to secure the payment of senior debt securities issued or to be issued under and in accordance with the provisions of the Original Indenture, reference to which Original Indenture is hereby made, this instrument (hereinafter called the "First Supplemental Indenture") being supplemental thereto;

RECITALS

WHEREAS, the Company, the Trustee, Wilmington Trust FSB, as Notes Collateral Agent, and the Subsidiary Guarantors party hereto are parties to the Original Indenture (the Original Indenture, together with this First Supplemental Indenture, the "Indenture"), providing for the issuance by the Company of its 12% Senior Secured Notes due 2017 (in the Original Indenture and herein called the "Notes");

WHEREAS, Section 8.01 of the Original Indenture provides that the Indenture may be amended by the Company, the Subsidiary Guarantors and the Trustee (without notice to or consent of any Holder of Notes) for certain specified matters, including to cure any ambiguity, defect or inconsistency in the Indenture and to make any change that does not adversely affect the legal rights of any Holder under the Indenture;

WHEREAS, the amendments to be effected by this First Supplemental Indenture are intended to cure a defect in the Indenture and would not adversely affect the legal rights of any Holder under the Indenture;

WHEREAS, the amendments are made without in any way affecting the interpretation or application of any provision of the Indenture for any reason other than the matter specifically addressed herein;

WHEREAS, pursuant to Sections 8.06, 13.04 and 13.05 of the Original Indenture, there has been delivered to the Trustee on the date hereof an Officers' Certificate and an Opinion of Counsel certifying, among other things, that this First Supplemental Indenture is authorized or permitted by the Indenture.

NOW THEREFORE, in consideration of the foregoing and the mutual premises and covenants contained herein and for other good and valuable consideration, the parties hereto agree as follows:

Section 1. *Definitions*. Capitalized terms used but not defined in this First Supplemental Indenture shall have the specified meanings set forth in the Original Indenture.

Section 2. *Amendment to the Indenture*.

(a) The amendment set forth below will become effective upon the execution and delivery of this First Supplemental Indenture by the Company, the Trustee and the Subsidiary Guarantors signatory hereto.

(b) The definition of "Permitted Liens" in the Indenture is hereby amended by replacing the proviso at the end of clause (xi) thereof with the following:

"*provided* that, in the case of Liens incurred pursuant to clause (b) and (c) (other than in the case of Junior Lien Obligations) that are on Collateral, the holders of such secured Obligations (or a representative thereof) become party to the Intercreditor Agreement;

Section 3. *Ratification of Indenture; Supplemental Indenture Part of Indenture*. The Original Indenture, as supplemented and amended by this First Supplemental Indenture, is in all respects ratified and confirmed, and the Original Indenture and this First Supplemental Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

Section 4. *Governing Law*. This First Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the state of New York, but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Section 5. *Trustee Makes No Representations*. The Trustee makes no representation as to the validity or sufficiency of this First Supplemental Indenture. The recitals contained herein shall be taken as the statements solely of the Company, and the Trustee assumes no responsibility for the correctness thereof.

Section 6. *Counterparts*. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 7. *Effect of Headings*. The section headings herein are for convenience only and shall not effect the construction thereof.

Section 8. *Successors and Assigns*. All covenants and agreements in this First Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 9. *Separability Clause*. In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed, all as of the day and year first above written.

BEAZER HOMES USA, INC.

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

SUBSIDIARY GUARANTORS:

APRIL CORPORATION
BEAZER ALLIED COMPANIES HOLDINGS, INC.
BEAZER GENERAL SERVICES, INC.
BEAZER HOMES CORP.
BEAZER HOMES HOLDINGS CORP.
BEAZER HOMES INDIANA HOLDINGS CORP.
BEAZER HOMES SALES, INC.
BEAZER HOMES TEXAS HOLDINGS, INC.
BEAZER REALTY CORP.
BEAZER REALTY, INC.
BEAZER REALTY LOS ANGELES, INC.
BEAZER REALTY SACRAMENTO, INC.
BEAZER/SQUIRES REALTY, INC.
HOMEBUILDERS TITLE SERVICES OF VIRGINIA, INC.
HOMEBUILDERS TITLE SERVICES, INC.

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

BEAZER MORTGAGE CORPORATION

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: President

[Signature Page — Supplemental Indenture to Indenture, dated as of April 17, 2002]

BEAZER HOMES INDIANA LLP

By: BEAZER HOMES INVESTMENTS, LLC,
its Managing Partner

By: BEAZER HOMES CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

ARDEN PARK VENTURES, LLC
BEAZER CLARKSBURG, LLC
BEAZER COMMERCIAL HOLDINGS, LLC
DOVE BARRINGTON DEVELOPMENT LLC
BEAZER HOMES INVESTMENTS, LLC
BEAZER HOMES MICHIGAN, LLC
ELYSIAN HEIGHTS POTOMIA, LLC

By: BEAZER HOMES CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

[Signature Page — First Supplemental Indenture to Indenture, dated as of September 11, 2009]

BEAZER HOMES TEXAS, L.P.

By: BEAZER HOMES TEXAS HOLDINGS, INC.,
its General Partner

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

BEAZER REALTY SERVICES, LLC

By: BEAZER HOMES INVESTMENTS, LLC,
its Sole Member

By: BEAZER HOMES CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

BEAZER SPE, LLC

By: BEAZER HOMES HOLDINGS CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

[Signature Page — First Supplemental Indenture to Indenture, dated as of September 11, 2009]

BH BUILDING PRODUCTS, LP

By: BH PROCUREMENT SERVICES, LLC,
its General Partner

By: BEAZER HOMES TEXAS, L.P.,
its Sole Member

By: BEAZER HOMES TEXAS HOLDINGS, INC.,
its General Partner

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

BH PROCUREMENT SERVICES, LLC

By: BEAZER HOMES TEXAS, L.P.,
its Sole Member

By: BEAZER HOMES TEXAS HOLDINGS, INC.,
its General Partner

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

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PARAGON TITLE, LLC

By: BEAZER HOMES INVESTMENTS, LLC,
its Sole Member and Manager

By: BEAZER HOMES CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

TRINITY HOMES, LLC

By: BEAZER HOMES INVESTMENTS, LLC,
its Member

By: BEAZER HOMES CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

[Signature Page — First Supplemental Indenture to Indenture, dated as of September 11, 2009]

CLARKSBURG ARORA LLC

By: BEAZER CLARKSBURG, LLC,
its Sole Member

By: BEAZER HOMES CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

CLARKSBURG SKYLARK, LLC

By: CLARKSBURG ARORA LLC,
its Sole Member

By: BEAZER CLARKSBURG, LLC,
its Sole Member

By: BEAZER HOMES CORP.,
its Sole Member

By: /s/ Allan P. Merrill
Name: Allan P. Merrill
Title: Executive Vice President

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: /s/ William Bryan Echols
Name: William Bryan Echols
Title: Vice President

[Signature Page — First Supplemental Indenture to Indenture, dated as of September 11, 2009]

EMPLOYMENT AGREEMENT

AGREEMENT by and between Beazer Homes USA, Inc., a Delaware corporation (the “Company”) and ROBERT L. SALOMON (the “Executive”), dated as of the 29th day of February, 2008.

The Board of Directors of the Company (the “Board”), has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive’s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The “Effective Date” shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive’s employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control, then for all purposes of this Agreement the “Effective Date” shall mean the date immediately prior to the date of such termination of employment.

(b) The “Change of Control Period” shall mean the period commencing on the date hereof and ending on the second anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the “Renewal Date”), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate two years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a “Change of Control” shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the

Exchange Act) of 25% or more of either (i) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120 day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve month period immediately preceding the month in which the Effective Date occurs. Annual Base Salary shall be payable in accordance with the Company's normal payroll practices (but not less frequently than monthly). During the Employment Period, the Annual Base Salary shall be reviewed (for purposes of increase only) no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the arithmetic average of the Executive's bonuses (whether paid or deferred) under the Company's or its predecessor's annual incentive plans during the last three full fiscal years prior to the Effective Date or for such lesser period as the Executive has been employed by the Company or its predecessor (annualized in the event that the Executive was not employed by the Company for the whole of any such fiscal year), (the "Average Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus. Without limiting the generality of the foregoing definition, the "Average Annual Bonus" shall include the following components, if any, pursuant to the Company's Amended and Restated EVCIP Rules *(*or any successor incentive plan, for so long as any of same shall exist):

(a) Cash payouts from VC and IVC awards and the "Bank" payout, subject to the Payout Cap, all at full face value;

(b) Any excess in the Bank discounted at 75% of face value (which shall, for purposes hereof, be deemed to be fully vested);

(c) 10% of the Bank contributed to the Deferred Compensation Plan, at full face value (which shall, for purposes hereof, be deemed to be fully vested); and

(d) Any deferred bonus under the EVCIP which is invested in stock under the Company's Corporate Management Stock Purchase Program, at full face value of said bonus (which shall, for purposes hereof, be deemed to be fully vested).

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the

Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Disability of the Executive occurs during the Employment Period (pursuant to the definition of Disability set forth below), the Company may give to the Executive written notice in accordance with Section 12(c) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), for more than 15 days after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the President and Chief Executive Officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company within 15 days after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company within 15 days after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date, which is not remedied by the Company within 15 days after receipt of notice thereof given by the Executive;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement, which is not remedied by the Company within 15 days after receipt of notice thereof given by the Executive.

(d) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(c) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or, subject to applicable cure periods, any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination.

(a) Good Reason; Other Than for Cause. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any accrued but unpaid Annual Bonus respecting any completed fiscal year ending prior to the Date of Termination, (3) the product of (x) the Average Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (4) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). Anything contained herein to the contrary notwithstanding, the timing of payment by the Company of any deferred compensation shall remain subject to the terms and conditions of the applicable deferred compensation plan and any payment election previously made by the Executive; **provided, however**, that, if at the time of Termination, Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code, as amended, then payments shall not be made before the date which is six (6) months after the date of separation from service with the Company (or, if earlier, the date of the Executive's death); and

B. the amount equal to the product of (1) one and one-half (1.5), and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus (as hereinafter defined); and

(ii) for eighteen (18) months after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until eighteen (18) months after the Date of Termination and to have retired on the last day of such period;

(iii) the Company shall, at its sole expense as incurred, provide the Executive with outplacement services in accordance with the Company's policies with regard to outplacement then in effect; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

For purposes hereof, the term "Highest Annual Bonus" shall mean the highest of the Executive's bonuses (whether paid or deferred) under the Company's or its predecessor's annual incentive plans during the last three full fiscal years prior to the Effective Date or for such lesser period as the Executive has been employed by the Company or its predecessor (annualized in the event that the Executive was not employed by the Company for the whole of any such fiscal year).

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive or the Executive's legal representative in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such

payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest by (i) the Company, provided that the Executive prevails in at least one material issue, (ii) the Executive or (iii) others, of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including, without limitation, as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f) (2) (A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by such certified public accounting firm as may be designated by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. Any legal action, suit or proceeding arising out of or relating to this Agreement shall be instituted in the state or federal courts in the State of Delaware and the parties agree not to assert, in any action, suit or proceeding by way of motion, as a defense or otherwise, any claim that either party is not personally subject to the jurisdiction of such court, or that such action, suit or proceeding is brought in an inconvenient forum, or that the venue is improper or that the subject matter hereof cannot be enforced in such court. The parties hereby irrevocably submit to the jurisdiction of any such court in any such action, suit or proceeding.

(b) The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(c) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by FedEx or other commercial overnight courier or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

5535 Lexington Woods Lane
Alpharetta, GA 30005

If to the Company:

1000 Abernathy Road
Suite 1200
Atlanta, Georgia 30328
Attention: Company Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(d) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(e) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i) through (v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(g) Except as may otherwise be provided under any other written agreement between the Executive and the Company, the Executive and the Company acknowledge that the employment of the Executive by the Company is "at will" and, subject to Section 1 hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof and, upon the Effective Date, any such other agreement shall be null, void and of no further force or effect.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Robert L. Salomon
ROBERT L. SALOMON

BEAZER HOMES USA, INC.

By /s/ Ian J. McCarthy
Ian J. McCarthy
President and Chief Executive Officer

Exhibit 21

SUBSIDIARIES OF THE COMPANY

Name	***Jurisdiction of Incorporation***
April Corporation	Colorado
Arden Park Ventures, LLC	Florida
Beazer Allied Companies Holdings, Inc.	Delaware
Beazer Clarksburg, LLC	Maryland
Beazer Commercial Holdings, LLC	Delaware
Beazer General Services, Inc.	Delaware
Beazer Homes Capital Trust I	Delaware
Beazer Homes Corp.	Tennessee
Beazer Homes Holdings Corp.	Delaware
Beazer Homes Indiana LLP	Indiana
Beazer Homes Indiana Holdings Corp.	Delaware
Beazer Homes Investments, LLC	Delaware
Beazer Homes Michigan, LLC	Delaware
Beazer Homes Sales, Inc.	Delaware
Beazer Homes Texas Holdings, Inc.	Delaware
Beazer Homes Texas, L.P.	Delaware
Beazer Mortgage Corporation	Delaware
Beazer Realty Corp.	Georgia
Beazer Realty, Inc.	New Jersey
Beazer Realty Los Angeles, Inc.	Delaware
Beazer Realty Sacramento, Inc.	Delaware
Beazer Realty Services, LLC	Delaware
Beazer SPE, LLC	Georgia
Beazer/Squires Realty, Inc.	North Carolina
BH Building Products, LP	Delaware
BH Procurement Services, LLC	Delaware
Dove Barrington Development LLC	Delaware
Homebuilders Title Services of Virginia, Inc.	Virginia
Homebuilders Title Services, Inc.	Delaware
Paragon Title, LLC	Indiana
Security Title Insurance Company	Vermont
The Ridings Development LLC	Delaware
Trinity Homes, LLC	Indiana
United Home Insurance Company, *A Risk Retention Group*	Vermont

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-94843, 333-117919, and 333-163110-04 on Form S-3 and in Registration Statements Nos. 333-116573, 333-24765, and 333-168794 on Form S-8 of Beazer Homes USA, Inc. (the Company) of our reports dated November 5, 2010, relating to the consolidated financial statements of Beazer Homes USA, Inc. and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K of Beazer Homes USA, Inc. for the year ended September 30, 2010.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
November 5, 2010

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ian J. McCarthy, certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter of the fiscal year ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2010

/s/ Ian J. McCarthy
Ian J. McCarthy
President and Chief Executive Officer

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan P. Merrill, certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter of the fiscal year ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2010

/s/ Allan P. Merrill
Allan P. Merrill
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Beazer Homes USA, Inc. (the Company) hereby certifies that the Report on Form 10-K of the Company for the period ended September 30, 2010, accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2010	/s/ Ian J. McCarthy
	Ian J. McCarthy
	President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.

Exhibit 32.2

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of Beazer Homes USA, Inc. (the Company) hereby certifies that the Report on Form 10-K of the Company for the period ended September 30, 2010, accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2010	/s/ Allan P. Merrill
	Allan P. Merrill
	Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.