
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2000
or

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
(State or other jurisdiction of
incorporation or organization)

58-2086934
(I.R.S. employer
Identification no.)

5775 Peachtree Dunwoody Road, Suite B-200, Atlanta, Georgia
(Address of principal executive offices)

30342
(Zip Code)

(404) 250-3420
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

YES NO

Class	Outstanding at February 12, 2001
Common Stock, \$0.01 par value	8,522,004 shares

Page 1 of 16 Pages
Exhibit Index Appears on Page 15

BEAZER HOMES USA, INC.
FORM 10-Q

INDEX

	<u>Page No.</u>
PART I	
FINANCIAL INFORMATION	
Item 1 Financial Statements	
Condensed Consolidated Balance Sheets, December 31, 2000 (unaudited) and September 30, 2000	3
Unaudited Condensed Consolidated Statements of Operations, Three Months Ended December 31, 2000 and 1999	4
Unaudited Condensed Consolidated Statements of Cash Flows, Three Months Ended	5

Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
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Item 3	Quantitative and Qualitative Disclosures About Market Risk	14
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PART II OTHER INFORMATION

Item 4	Submission of Matters to a Vote of Security Holders	15
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Item 6	Exhibits and Reports on Form 8-K	15
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SIGNATURES		16
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Part I. Financial Information

BEAZER HOMES USA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	December 31, 2000	September 30, 2000
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable	15,436	23,087
Inventory	668,368	629,663
Property, plant and equipment, net	11,727	12,206
Goodwill, net	7,050	7,250
Other assets	27,111	26,673
	<u>729,692</u>	<u>698,879</u>
Total assets	\$ 729,692	\$ 698,879
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	\$ 41,300	\$ 72,212
Other payables and accrued liabilities	92,759	101,129
Revolving credit facility	20,000	40,000
Other notes payable	383	—
Term loan	75,000	—
Senior notes	215,000	215,000
	<u>444,442</u>	<u>428,341</u>
Total liabilities	444,442	428,341
Stockholders' equity:		
Preferred stock (par value \$.01 per share, 5,000,000 shares authorized, no shares issued)	—	—
Common stock (par value \$.01 per share, 30,000,000 shares authorized, 12,271,031 and 12,275,851 issued, 8,479,004 and 8,483,824 outstanding)	123	123
Paid in capital	195,212	195,134
Retained earnings	155,426	141,094
Unearned restricted stock	(4,235)	(4,609)
Treasury stock (3,792,027 shares)	(61,204)	(61,204)
Accumulated other comprehensive loss	(72)	—
	<u>285,250</u>	<u>270,538</u>
Total stockholders' equity	285,250	270,538
	<u>\$ 729,692</u>	<u>\$ 698,879</u>
Total liabilities and stockholders' equity	\$ 729,692	\$ 698,879

See Notes to Condensed Consolidated Financial Statements

BEAZER HOMES USA, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

Three Months Ended December 31,

	2000	1999
Total revenue	\$ 365,050	\$ 308,745
Costs and expenses:		
Home construction and land sales	294,964	255,748
Interest	6,998	5,523
Selling, general and administrative	40,096	34,273
Operating income	22,992	13,201
Other income (expense)	504	(878)
Income before income taxes	23,496	12,323
Provision for income taxes	9,164	4,806
Net income	\$ 14,332	\$ 7,517
Weighted average number of shares (in thousands):		
Basic	8,102	8,530
Diluted	8,917	8,825
Net income per common share:		
Basic	\$ 1.77	\$ 0.88
Diluted	\$ 1.61	\$ 0.85

See Notes to Condensed Consolidated Financial Statements

4

BEAZER HOMES USA, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollar in thousands)

	Three Months Ended December 31,	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 14,332	\$ 7,517
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	2,084	1,763
Changes in operating assets and liabilities:		
Increase in inventory	(38,705)	(43,141)
Decrease in trade accounts payable	(20,683)	(16,377)
Other changes	(724)	(6,855)
Net cash used by operating activities	(43,696)	(57,093)
Cash flows from investing activities:		
Capital expenditures	(1,038)	(1,165)
Net cash used by investing activities	(1,038)	(1,165)
Cash flows from financing activities:		
Proceeds from term loan	75,000	—
Change in revolving credit facility and other debt	(19,617)	58,500
Changes in book overdraft	(10,229)	3,147
Common share repurchases	—	(3,141)
Debt issuance costs	(420)	(248)
Net cash provided by financing activities	44,734	58,258
Increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	\$ —	\$ —

See Notes to Condensed Consolidated Financial Statements

5

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Beazer Homes USA, Inc. ("Beazer") have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such financial statements do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included in the accompanying condensed financial statements. Certain items in prior period financial statements have been reclassified to conform to the current presentation. For further information, refer to our audited consolidated financial statements incorporated by reference in our Annual Report on Form 10-K for the year ended September 30, 2000.

(2) New Accounting Pronouncement

Effective October 1, 2000 we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. SFAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities by requiring that all derivatives be recognized in the balance sheet and measured at fair value. Gains or losses resulting from changes in the fair value of derivatives are recognized in earnings or recorded in other comprehensive income, and recognized in the income statement when the hedged item affects earnings, depending on the purpose of the derivatives and whether they qualify for hedge accounting treatment.

Our policy is to designate at inception that derivatives hedge risks associated with specific assets, liabilities, or future commitments and monitor the derivatives to determine if they remain effective hedges. The effectiveness of a derivative as a hedge is based on high correlation between changes in its value and changes in the value of the underlying hedged item. We recognize gains or losses for amounts received or paid when the underlying transaction settles. We do not enter into or hold derivatives for trading or speculative purposes.

On December 22, 2000 we entered into an interest rate swap agreement (the "Swap Agreement") to effectively fix the variable interest rate on our \$75 million four-year term loan (Note 6). The Swap Agreement has been designated as a cash flow hedge and accordingly, is reflected at fair value in our consolidated balance sheet and the related loss is deferred in stockholders' equity as other comprehensive loss. Amounts to be received or paid as a result of the Swap Agreement are accrued and recognized as an adjustment to interest related to the designated debt. The net effect of this accounting on our operating results is that interest on the portion of variable-rate debt being hedged is generally recorded based on fixed interest rates. The effect of the Swap Agreement for the quarter ended December 31, 2000 was to record after-tax other comprehensive loss of \$72 thousand.

6

(3) Inventory

A summary of inventory is as follows (in thousands):

	December 31, 2000	September 30, 2000
Homes under construction	\$ 297,473	\$ 290,277
Development projects in progress	313,917	283,563
Unimproved land held for future development	15,790	12,325
Model homes	41,188	43,498
	<u>\$ 668,368</u>	<u>\$ 629,663</u>

Homes under construction includes homes finished and ready for delivery and homes in various stages of construction. We had 298 completed homes (\$46.8 million) and 296 completed homes (\$41.8 million) at December 31, 2000 and September 30, 2000, respectively, that were not subject to a sales contract, excluding model homes.

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.

(4) Interest

The following table sets forth certain information regarding interest:

	Three Months Ended December 31,	
	2000	1999
During the period:		
Interest incurred	\$ 7,653	\$ 6,631
Previously capitalized interest amortized to costs and expenses	\$ 6,998	\$ 5,523
At the end of the period:		
Capitalized interest in ending inventory	\$ 14,336	\$ 11,596

7

(5) Earnings Per Share

Basic and diluted earnings per share were calculated as follows (in thousands, except per share amounts):

Three Months Ended December 31,

	2000	1999
Basic:		
Net income applicable to common stockholders	\$ 14,332	\$ 7,517
Weighted average number of common shares outstanding	8,102	8,530
Basic earnings per share	\$ 1.77	\$ 0.88
Diluted:		
Net income applicable to common stockholders	\$ 14,332	\$ 7,517
Weighted average number of common shares outstanding	8,102	8,530
Effect of dilutive securities—		
Restricted stock	464	261
Options to acquire common stock	351	34
Diluted weighted common shares outstanding	8,917	8,825
Diluted earnings per share	\$ 1.61	\$ 0.85

(6) Term Loan

Effective December 19, 2000 we entered into a new \$75 million four-year term loan with a group of banks (the "Term Loan"). The Term Loan matures in December 2004 and bears interest at a fluctuating rate based on LIBOR or the lead bank's corporate base rate of interest. The Term Loan contains various operating and financial covenants. Each of our significant subsidiaries is a guarantor under the Term Loan. The proceeds from the Term Loan were used to pay down then outstanding borrowings under our \$250 million revolving credit facility.

As discussed in Note 2, we entered into the Swap Agreement on December 22, 2000, to manage interest costs and hedge against risks associated with fluctuating interest rates. We effectively fixed the rate of the Term Loan at 7.55% by hedging it with the Swap Agreement.

(7) Treasury Stock Repurchase Program

In November 1999, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to 500,000 shares of our outstanding common stock. During the first two quarters of fiscal 2000, we completed the plan and repurchased 500,000 shares on the open market for an aggregate purchase price of \$9.2 million (average price of \$18.38 per share).

BEAZER HOMES USA, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW:

Homebuilding: We design, build and sell single-family homes in the following regions and states:

Southeast	Southwest	Central	Mid-Atlantic
Florida Georgia North Carolina South Carolina Tennessee	Arizona California Nevada	Texas	Maryland New Jersey Pennsylvania Virginia

We intend, subject to market conditions, to expand in our current markets and to consider entering new markets either through expansion from existing markets or through acquisitions of established regional homebuilders. We seek to be one of the five largest builders in each of the markets that we serve.

Most of our homes are designed to appeal to entry-level and first time move-up homebuyers, and are generally offered for sale in advance of their construction. Once a sales contract has been signed, we classify the transaction as a "new order." Such sales contracts are usually subject to certain contingencies such as the buyer's ability to qualify for financing. Homes covered by these sales contracts are considered "backlog." We do not recognize revenue on homes in backlog until the sales are closed and the risk of ownership has been transferred to the buyer.

Ancillary Businesses: We have established several businesses to support our core homebuilding operations. We operate design centers in the majority of our markets. Through design centers, homebuyers can choose non-structural upgrades and options for their new home. We also provide mortgage origination services for our homebuyers through Beazer Mortgage Corp. Beazer Mortgage originates, processes and sells mortgages to third party investors. Beazer Mortgage does not retain or service the mortgages that it originates. We also provide title services and homeowners' and other insurance in many of our markets. We will continue to evaluate opportunities to provide other ancillary services to our homebuyers.

Value Created: We evaluate our financial performance using **Value Created**, a variation of economic profit or economic value added. **Value Created** measures the extent to which we exceed our cost of capital. Most of our employees receive incentive compensation based upon a combination of **Value Created** and the change in

Value Created. We believe that our **Value Created** system encourages managers to act like owners, rewards profitable growth and focuses attention on long-term loyalty and performance.

The following presents certain operating and financial data for Beazer (dollars in thousands):

	Three Months Ended December 31,		
	2000		1999
	Amount	% Change	Amount
Number of new orders, net of cancellations:			
Southeast region	637	18.6%	537
Southwest region	704	13.5	620
Central region	144	63.6	88
Mid-Atlantic region	313	20.4	260
Total	1,798	19.5	1,505
Number of closings:			
Southeast region	575	4.4%	551
Southwest region	766	11.8	685
Central region	160	31.1	122
Mid-Atlantic region	341	34.8	253
Total	1,842	14.3	1,611
Total homebuilding revenue:			
Southeast region	\$ 104,677	9.9%	\$ 95,252
Southwest region	153,543	15.5	132,897
Central region	24,438	10.6	22,096
Mid-Atlantic region	78,461	47.1	53,339
Total	\$ 361,119	19.0	\$ 303,584
Average sales price per home closed:			
Southeast region	\$ 182.0	5.3%	\$ 172.9
Southwest region	200.4	3.3	194.0
Central region	152.7	(15.7)	181.1
Mid-Atlantic region	230.1	9.2	210.8
Consolidated	196.0	4.0	188.4
Backlog units at end of period:			
Southeast region	937	(4.9)%	985
Southwest region	1,087	50.8	721
Central region	243	41.3	172
Mid-Atlantic region	618	7.7	574
Total	2,885	17.7	2,452
Aggregate sales value of homes in backlog at end of period:	\$ 572,573	21.3%	\$ 471,856
Number of active subdivisions at end of period:			
Southeast region	122	9.9%	111
Southwest region	68	15.3	59
Central region	29	(3.3)	30
Mid-Atlantic region	37	(11.9)	42
Total	256	5.8	242

New Orders and Backlog: New orders increased by 19% during the three month period ended December 31, 2000, with only a 6% increase in the number of active subdivisions at December 31, 2000. The increase reflects order strength in all four of our regions. We believe that the increase in new orders in our markets benefited from the reduction of mortgage interest rates and three other significant factors. These factors are strong population growth, especially in markets we serve, gains in market share by large, public homebuilders, and the benefits of the internet, which increasing numbers of homebuyers are actively using in their home purchase process. Demand was especially strong in our Central region where we have increased our presence in the first-time buyer segment.

The aggregate dollar value of homes in backlog at December 31, 2000 increased 21% from December 31, 1999, reflecting an 18% increase in the number of homes in backlog and a 3% increase in the average price of homes in backlog, from \$192,400 at December 31, 1999 to \$198,500 at December 31, 2000. The increased average price of homes in backlog reflects our continued ability to raise prices in most of our markets, as well as increased sales of options and upgrades on homes through our design centers.

The following table provides additional details of revenues and certain expenses and shows certain items expressed as a percentage of certain components of revenues (dollars in thousands):

	Three Months Ended December 31,	
	2000	1999
Details of revenues and certain expenses:		
Revenues:		
Home sales	\$ 361,119	\$ 303,584
Land and lot sales	330	3,305
Mortgage origination revenue	5,320	3,107
Intercompany elimination—mortgage	(1,719)	(1,251)
Total revenue	\$ 365,050	\$ 308,745
Cost of home construction and land sales:		
Home sales	\$ 296,420	\$ 253,849
Land and lot sales	263	3,150
Intercompany elimination—mortgage	(1,719)	(1,251)
Total cost of home construction and land sales	\$ 294,964	\$ 255,748
Selling, general and administrative:		
Homebuilding operations	\$ 37,117	\$ 32,117
Mortgage origination operations	2,979	2,156
Total selling, general and administrative	\$ 40,096	\$ 34,273
Certain items as a percentage of revenues:		
As a percentage of total revenue:		
Costs of home construction and land sales	80.8%	82.8%
Amortization of previously capitalized interest	1.9%	1.8%
Selling, general and administrative		
Homebuilding operations	10.2%	10.4%
Mortgage operations	0.8%	0.7%
As a percentage of home sales revenue:		
Costs of home construction	82.1%	83.6%

Revenues: Revenues increased by 18% for the three months ended December 31, 2000 compared to the same period in the prior year, reflecting a 4% increase in the average sales price of homes closed

and a 14% increase in the number of homes closed. We also experienced an increase in mortgage origination revenue.

Cost of Home Construction: The cost of home construction as a percentage of home sales decreased for the three months ended December 31, 2000, compared to the same period of the prior year, as a result of our ability to both raise prices and reduce costs. In addition the increase in our sales of options and upgrades has contributed to the improvement in gross profit margin. Such options and upgrades generally have gross margins approximately double that of our base homes.

Selling, General and Administrative Expense: Our selling, general and administrative ("SG&A") expense decreased as a percentage of total revenues for the three months ended December 31, 2000, compared to the same period of the prior year, as a result of higher revenues, giving us greater leverage and operating efficiency on the fixed portion of such expense.

Mortgage Origination Operations: Revenues increased for Beazer Mortgage during the three months ended December 31, 2000, compared to the same period of the prior year, primarily as a result of the increase in homebuilding revenues.

Investment in Unconsolidated Joint Venture: We have a non-controlling 49% interest in Premier Communities, a joint venture with Corporacion GEO S.A. de C.V., a Mexican homebuilder, to build affordable housing in the United States. The joint venture has experienced losses since its inception in 1997 and is now in the process of winding down. During fiscal 2000 we recognized charges to write-off our remaining, impaired investment in the joint venture and to record our expected obligation to fund certain of the letters of credit we have issued to guarantee our share of the outstanding indebtedness of the joint venture. Other expense includes our share of the joint venture's operating losses of \$1.3 million for the three months ended December 31, 1999. At December 31, 2000 we had \$2.7 million accrued for the winding down of the joint venture. We currently do not expect to record further charges relating to the winding down of the joint venture in the future.

Income Taxes: Our effective income tax rate was 39.0% for both the three month periods ended December 31, 2000 and December 31, 1999.

New Accounting Pronouncement: Effective October 1, 2000 we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. SFAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities by requiring that all derivatives be recognized in the balance sheet and measured at fair value. Gains or losses resulting from changes in the fair value of derivatives are recognized in earnings or recorded in other comprehensive income, and recognized in the income statement when the hedged item affects earnings, depending on the purpose of the derivatives and whether they qualify for hedge accounting treatment.

Our policy is to designate at inception that derivatives hedge risks associated with specific assets, liabilities, or future commitments and monitor the derivatives to determine if they remain effective hedges. The effectiveness of a derivative as a hedge is based on high correlation between changes in its value and changes in the value of the underlying hedged item. We recognize gains or losses for amounts received or paid when the underlying transaction settles. We do not enter or hold derivatives for trading or speculative purposes.

On December 22, 2000 we entered into an interest rate swap agreement (the "Swap Agreement") to effectively fix the variable interest rate on our \$75 million four-year term loan (Note 6). The Swap Agreement has been designated as a cash flow hedge and accordingly, is reflected at fair value in our consolidated balance sheet and the related loss is deferred in stockholders' equity as other comprehensive loss. Amounts to be received or paid as a result of the Swap Agreement are accrued and recognized as an adjustment to interest related to the designated debt. The net effect of this accounting on our operating results is that interest on the portion of variable-rate debt being hedged is

12

generally recorded based on fixed interest rates. The effect of the Swap Agreement for the quarter ended December 31, 2000 was to record after-tax other comprehensive loss of \$72 thousand.

FINANCIAL CONDITION AND LIQUIDITY:

We fulfill our short-term cash requirements with cash generated from operations and unused funds available from an unsecured revolving credit facility (the "Credit Facility") with a group of banks. In December 1999, we amended the Credit Facility, adding two banks (now eight banks) and increasing the facility from \$200 million to \$250 million. Available borrowings under the facility are limited to certain percentages of homes under contract, unsold homes, substantially improved lots, raw land and accounts receivable. At December 31, 2000, we had \$20 million outstanding and additional available borrowings of \$140 million under the Credit Facility.

Effective December 19, 2000 we entered into a new \$75 million four-year term loan with a group of banks. The Term Loan matures in December 2004 and bears interest at a fluctuating rate based on LIBOR or the lead bank's corporate base rate of interest. The Term Loan contains various operating and financial covenants. Each of our significant subsidiaries is a guarantor under the Term Loan. The proceeds from the Term Loan were used to pay down then outstanding borrowings under our \$250 million revolving credit facility.

We have \$215 million of outstanding senior debt, which is comprised of \$100 million of 8⁷/₈% Senior Notes due in April 2008 and \$115 million of 9% Senior Notes due in March 2004 (collectively, the "Senior Notes"). All of our significant subsidiaries are guarantors of the Senior Notes and are jointly and severally liable for obligations under the Senior Notes. Separate financial statements and other disclosures concerning each of the significant subsidiaries are not included, as the aggregate assets, liabilities, earnings and equity of the subsidiaries equal such consolidated amounts and separate subsidiary financial statements are not considered material to investors. The total assets, revenues and operating profit of the non-guarantor subsidiaries are in the aggregate immaterial on a consolidated basis. Neither the Credit Facility, Term Loan nor the Senior Notes restrict distributions to Beazer Homes USA, Inc. by its subsidiaries.

We have utilized, and will continue to utilize, land options as a method of controlling and subsequently acquiring land. At December 31, 2000, we had 14,876 lots under option. At December 31, 2000, we had commitments with respect to option contracts with specific performance obligations of approximately \$25 million. We expect to exercise all of our option contracts with specific performance obligations and, subject to market conditions, substantially all of our options contracts without specific performance obligations.

In November 1999, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to 500,000 shares of our outstanding common stock. During the first two quarters of fiscal 2000, we completed the plan and repurchased 500,000 shares on the open market for an aggregate purchase price of \$9.2 million (average price of \$18.38 per share).

In January 2000, we filed a \$300 million universal shelf registration statement on Form S-3 with the Securities and Exchange Commission. Pursuant to the filing, the Company may, from time to time over an extended period, offer new debt and/or equity securities. This shelf registration will allow the Company to expediently access capital markets periodically in the future. The timing and amount of offerings, if any, will depend on market and general business conditions.

We believe that our current borrowing capacity, together with anticipated cash flows from operations, is sufficient to meet liquidity needs for the foreseeable future. There can be no assurance, however, that amounts available in the future from our sources of liquidity will be sufficient to meet future capital needs. The amount and types of indebtedness that we may incur may be limited by the terms of the Indenture governing our Senior Notes, Term Loan and Credit Facility. We continually evaluate expansion opportunities through acquisition of established regional homebuilders and such

13

opportunities may require us to 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.

OUTLOOK:

We are optimistic about our prospects for fiscal 2001 and confident about our long-term prospects. We understand the uncertainties surrounding the economy may reduce this optimism in the future. At this time, however, our increased earnings for the three months ended December 31, 2000 and our current higher level of backlog give us strong indications of increased earnings in fiscal 2001 compared to fiscal 2000. We believe that our earnings per share for fiscal 2001 are likely to be in the \$6.25 to \$6.50 range, up 24% to 29% over fiscal 2000. In addition, we believe that the factors we discussed earlier (positive demographic trends, gains in market share by larger public homebuilders and the benefits of the internet) will allow us to continue to report increased earnings in fiscal 2002 and beyond. Our five-year plan, introduced in fiscal 1999, targets delivering 15,000 home closings and earning \$9.00 per diluted share by fiscal 2004.

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning the Company's outlook for future quarters including projected earnings per share for fiscal 2001, overall and market specific volume trends, pricing trends and forces in the industry, cost reduction strategies and their results, the Company's expectations as to funding its capital expenditures and operations during 2001, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. The most significant factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, the following:

- Economic changes nationally or in one or more of the Company's local markets
- Volatility of mortgage interest rates
- Increased competition
- Changes in the costs of winding down Premier Communities
- Shortages of skilled labor or raw materials used in the production of houses
- Increased prices for labor, land and raw materials used in the production of houses
- Increased land development costs on projects under development
- Any delays in reacting to changing consumer preference in home design
- Delays or difficulties in implementing the Company's initiatives to reduce its production and overhead cost structure
- 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 laws, regulations or governmental policies.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

We entered into the Swap Agreement on December 22, 2000, to manage interest costs and hedge against risks associated with fluctuating interest rates with respect to our \$75 million term loan maturing in December 2004. We do not enter into or hold derivatives for trading or speculative purposes.

PART II. OTHER INFORMATION

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

On February 1, 2001, we held our annual meeting of shareholders. At the annual meeting, the shareholders elected seven members to the Board of Directors to serve until the next annual meeting. The results of voting were as follows (based on 8,202,787 outstanding shares entitled to vote):

Election of Directors

Name	For	Against	Withheld	Broker Non-Votes
Brian C. Beazer	7,202,539	0	330,687	0
Thomas B. Howard, Jr.	7,516,148	0	17,078	0
Ian J. McCarthy	7,516,878	0	16,348	0
George W. Mefferd	7,516,148	0	17,078	0
D. E. Mundell	7,516,148	0	17,078	0
Larry T. Solari	7,516,148	0	17,078	0
David S. Weiss	7,516,878	0	16,348	0

Item 6. Exhibits and Reports on Form 8-K

(a)

Exhibits:

10.12 Second Amended and Restated Credit Agreement dated as of December 29, 1999 between the Company and Bank One, NA, as Agent, and Comerica Bank and Guaranty Federal Bank, F.S.B as Managing Agents (filed herewith)

SECOND AMENDED AND RESTATED
CREDIT AGREEMENT

Dated as of December 29, 1999

BEAZER HOMES USA, INC.,
The Guarantors Parties Thereto,
The Banks Parties Thereto,

Bank One, NA

As Agent,

and

Comerica Bank

and

Guaranty Federal Bank, F.S.B.,

as Managing Agents

\$250,000,000 REVOLVING CREDIT FACILITY

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS 1

Section 1.01. Defined Terms..... 1
Section 1.02. Accounting Terms..... 16

ARTICLE II

AMOUNTS AND TERMS OF THE LOANS 16

Section 2.01. Revolving Credit..... 16
Section 2.02. Reduction of Commitment..... 18
Section 2.03. Notice and Manner of Borrowing..... 18
Section 2.04. Non-Receipt of Funds by Agent..... 18
Section 2.05. Determination of Applicable Margins and
Applicable Commitment Rate..... 19
Section 2.06. Conversions and Renewals..... 21
Section 2.07. Interest..... 21
Section 2.08. Interest Rate Determination..... 22
Section 2.09. Fees..... 23
Section 2.10. Notes..... 23
Section 2.11. Prepayments..... 24
Section 2.12. Method of Payment..... 24
Section 2.13. Use of Proceeds..... 25
Section 2.14. Yield Protection..... 25
Section 2.15. Changes in Capital Adequacy Regulations..... 25
Section 2.16. Availability of LIBOR Loans..... 26
Section 2.17. Funding Indemnification..... 26
Section 2.18. Bank Statements; Survival of Indemnity..... 26
Section 2.19. Extension of Termination Date..... 27
Section 2.20. Replacement of Certain Banks..... 29
Section 2.21. Swing Line..... 30
Section 2.22. Amounts Payable Under Original Agreement..... 30

ARTICLE III

CONDITIONS PRECEDENT 31

Section 3.01. Conditions Precedent to the Initial Loan..... 31
Section 3.02. Conditions Precedent to All Loans..... 33

ARTICLE IV

REPRESENTATIONS AND WARRANTIES 34

Section 4.01. Incorporation, Formations Good Standing, and Due Qualification..... 34
Section 4.02. Power and Authority..... 34
Section 4.03. Legally Enforceable Agreement..... 34
Section 4.04. Financial Statements..... 34
Section 4.05. Labor Disputes and Acts of God..... 35
Section 4.06. Other Agreements..... 35
Section 4.07. Litigation..... 35
Section 4.08. No Defaults on Outstanding Judgments or Orders..... 35
Section 4.09. Ownership and Liens..... 35
Section 4.10. Subsidiaries and Ownership of Stock..... 36
Section 4.11. ERISA..... 36
Section 4.12. Operation of Business..... 36
Section 4.13. Taxes..... 36
Section 4.14. Laws; Environment..... 36
Section 4.15. Investment Company Act..... 37
Section 4.16. Public Utility Holding Company Act..... 37
Section 4.17. Year 2000..... 38

ARTICLE V

AFFIRMATIVE COVENANTS 38

Section 5.01. Maintenance of Existence..... 38
Section 5.02. Maintenance of Records..... 38
Section 5.03. Maintenance of Properties..... 38
Section 5.04. Conduct of Business..... 38
Section 5.05. Maintenance of Insurance..... 38
Section 5.06. Compliance with Laws..... 38
Section 5.07. Right of Inspection..... 39
Section 5.08. Reporting Requirements..... 39
Section 5.09. Subsidiary Reporting Requirements..... 42
Section 5.10. Environment..... 42
Section 5.11. Use of Proceeds..... 43
Section 5.12. Ranking of Obligations..... 43
Section 5.13. Taxes..... 43
Section 5.14. Wholly Owned Status..... 43
Section 5.15. New Subsidiaries..... 43
Section 5.16. Year 2000..... 43

ARTICLE VI

NEGATIVE COVENANTS 43

Section 6.01.	Liens.....	43
Section 6.02.	Debt.....	44
Section 6.03.	Mergers, Etc.....	44
Section 6.04.	Leases.....	44
Section 6.05.	Sale and Leaseback.....	45
Section 6.06.	Sale of Assets.....	45
Section 6.07.	Investments.....	45
Section 6.08.	Guaranties, Etc.....	46
Section 6.09.	Transactions With Affiliates.....	46
Section 6.10.	Land Inventory.....	46
Section 6.11.	Total Inventory.....	47
Section 6.12.	Senior Debt	47
Section 6.13.	Amendment or Modification of Indenture.....	47
Section 6.14.	UHC.....	47
Section 6.15.	Negative Pledges.....	47

ARTICLE VII

FINANCIAL COVENANTS 47

Section 7.01.	Minimum Consolidated Tangible Net Worth.....	47
Section 7.02.	Leverage Ratio.....	48
Section 7.03.	Permitted Senior Debt.....	48
Section 7.04.	Fixed Charge Coverage Ratio.....	48
Section 7.05.	Land Inventory.....	48

ARTICLE VIII

EVENTS OF DEFAULT 48

Section 8.01.	Events of Default.....	48
Section 8.02.	Set Off.....	51

ARTICLE IX

GUARANTY 51

Section 9.01.	Guaranty.....	51
Section 9.02.	No Impairment of Guaranty.....	52
Section 9.03.	Continuation and Reinstatements etc.....	52
Section 9.04.	Limitation on Guaranteed Amount.....	53

ARTICLE X

AGENCY PROVISIONS 53

Section 10.01. Authorization and Action..... 53
Section 10.02. Liability of Agent..... 53
Section 10.03. Rights of Agent as a Bank..... 54
Section 10.04. Independent Credit Decisions..... 54
Section 10.05. Indemnification..... 54
Section 10.06. Successor Agent..... 55
Section 10.07. Sharing of Payments, Etc..... 55
Section 10.08. Withholding Tax Matters..... 56

ARTICLE XI

MISCELLANEOUS 56

Section 11.01. Amendments, Etc..... 56
Section 11.02. Notices, Etc..... 57
Section 11.03. No Waiver..... 57
Section 11.04. Costs, Expenses, and Taxes..... 57
Section 11.05. Integration..... 57
Section 11.06. Indemnity..... 58
Section 11.07. Governing Law..... 58
Section 11.08. Severability of Provisions..... 58
Section 11.09. Counterparts..... 58
Section 11.10. Headings..... 58
Section 11.11. Submission to Jurisdiction..... 58
Section 11.12. Jury Trial Waiver..... 58
Section 11.13. Government Regulation..... 59
Section 11.14. No Fiduciary Duty..... 59
Section 11.15. Confidentiality..... 59

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS 59

Section 12.01. Successors and Assigns..... 59
Section 12.02. Participations..... 59
Section 12.03. Assignments..... 60
Section 12.04. Dissemination of Information..... 61
Section 12.05. Tax Treatment..... 61

ARTICLE XIII

THE LETTER OF CREDIT FACILITY 62

Section 13.01. Facility Letters of Credit..... 62
Section 13.02. Limitations..... 62

Section 13.03.	Conditions.....	63
Section 13.04.	Procedure for Issuance of Facility Letters of Credit.....	63
Section 13.05.	Duties of Issuing Bank.....	64
Section 13.06.	Participation.....	65
Section 13.07.	Compensation for Facility Letters of Credit.....	66
Section 13.08.	Issuing Bank Reporting Requirements.....	67
Section 13.09.	Indemnification; Nature of Issuing Banks' Duties.....	67
Section 13.10.	Designation or Resignation of Issuing Bank.....	68
Section 13.11.	Termination of Issuing Bank's Obligation.....	69
Section 13.12.	Obligations of Issuing Bank and Other Banks.....	69
Section 13.13.	Issuing Bank's Rights.....	69

LIST OF EXHIBITS

EXHIBIT	DESCRIPTION	REFERENCE
- - - - -	- - - - -	- - - - -
Exhibit A	Form of Note	2.10
Exhibit B	Intentionally Omitted	
Exhibit C	Summary of Opinion of Counsel for Borrower and Delaware Guarantors	3.01(5)
Exhibit D	Summary of Opinion of Illinois Counsel for Borrower	3.01(5)
Exhibit E	Summary of Opinion of Counsel for Agent	3.01(6)
Exhibit F	Summary of Opinion of Local Counsel for Beazer Homes Corp.	3.01(10)

Exhibit G	Form of Certificate for Borrowings and Facility Letters of Credit	3.02
Exhibit H	List of Subsidiaries of Borrower	4.10
Exhibit I	Assignment Agreement	12.03(b)
Exhibit J	PNC Letters of Credit	13.10(c)

SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of December 29, 1999 among BEAZER HOMES USA, INC., a Delaware corporation (the "Borrower"), BEAZER MORTGAGE CORPORATION, a Delaware corporation, BEAZER HOMES CORP., a Tennessee corporation, BEAZER HOMES SALES ARIZONA INC., a Delaware corporation, BEAZER REALTY CORP., a Georgia corporation, BEAZER/SQUIRES REALTY, INC., a North Carolina corporation, PANITZ HOMES REALTY, Inc., a Florida corporation, BEAZER HOMES HOLDING CORP., a Delaware corporation, BEAZER HOMES TEXAS HOLDINGS, INC., a Delaware corporation, and BEAZER HOMES TEXAS, L.P., a Delaware limited partnership (individually an "Original Guarantor" and collectively the "Original Guarantors"), BEAZER REALTY INC., a New Jersey corporation, HOMEBUILDERS TITLE SERVICES, INC., a Delaware corporation, and TEXAS LONE STAR TITLE, L.P., a Texas limited partnership (collectively, the "New Guarantors") and BANK ONE, NA, COMERICA BANK, GUARANTY FEDERAL BANK, F.S.B., BANK UNITED, AMSOUTH BANK, SUNTRUST BANK, PNC BANK, N.A., and WACHOVIA BANK, N.A. (collectively, the "Banks") and BANK ONE, NA as Agent (the "Agent") for the Banks and as an Issuing Bank (as hereinafter defined).

WITNESSETH:

WHEREAS, the Borrower, the Original Guarantors and certain of the Banks are party to that certain Amended and Restated Credit Agreement dated as of November 3, 1998 (the "Original Agreement"); and

WHEREAS, the parties hereto now desire to amend and restate the Original Agreement in its entirety to effect the changes in the Banks' Commitments set forth herein, the guaranty hereunder by the New Guarantors and certain other modifications of the terms of the Original Agreement as hereinafter provided;

NOW THEREFORE, in consideration of the premises, the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that, effective as of the Effective Date (as hereinafter defined), the Original Agreement is hereby amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the following meanings (terms defined in the singular shall have the same meaning when used in the plural and vice versa):

"ABR Loan" means any Loan when and to the extent that the interest rate therefor is determined by reference to the Alternate Base Rate.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going concern or all or substantially all of the assets of any firm, corporation or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership.

"Adjusted Land Value" means, as of any date, (i) the book value of all Land, less (ii) the sum of (a) the book value of Finished Lots that are subject to BONA FIDE contracts of sale with Persons that are not Affiliates and (b) the lesser of (1) the product of (x) the number of Housing Units with respect to which the Borrower and its Subsidiaries (including any company or other entity acquired in an Acquisition by the Borrower or a Subsidiary as of such date) entered into BONA FIDE contracts of sale with Persons that are not Affiliates during the six-month period ending on such date multiplied by (y) the average book value of all Finished Lots as of such date and (2) forty percent (40%) of Consolidated Tangible Net Worth as of such date.

"Affiliate" means any Person (1) which directly or indirectly controls, or is controlled by, or is under common control with, the Borrower or a Subsidiary; (2) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of the Borrower or any Subsidiary; or (3) five percent (5%) or more of the voting stock of which is directly or indirectly beneficially owned or held by the Borrower or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means Bank One.

"Aggregate Commitments" means the aggregate Commitments of all the Banks, as reduced or increased from time to time pursuant to the terms of this Agreement.

"Agreement" means this Amended and Restated Credit Agreement, as amended, supplemented, or modified from time to time.

"Alternate Base Rate" means a fluctuating rate per annum equal to the higher of (i) the Prime Rate, changing when and as said rate changes, or (ii) the sum of 1/2 of 1% plus the Federal Funds Rate then in effect.

"Applicable ABR Margin" means, as at any date of determination, the margin indicated in Section 2.05 as then applicable to ABR Loans and Swing Line Loans (under Section 2.07(a)(i)).

"Applicable Commitment Rate" means, as at any date of determination, the rate per annum indicated in Section 2.05 as then applicable in the determination of the commitment fee (under Section 2.09).

"Applicable Letter of Credit Rate" means, as at any date of determination, a rate per annum equal to (i) the Applicable LIBOR Margin, less (ii) 0.125% per annum.

"Applicable LIBOR Margin" means, as at any date of determination, the margin indicated in Section 2.05 as then applicable to LIBOR Loans (under Section 2.07(a)(ii)).

"Applicable Margin(s)" means the Applicable ABR Margin and/or the Applicable LIBOR Margin, as the case may be.

"Bank One" means Bank One, NA (formerly known as The First National Bank of Chicago).

"Banks" means the Banks that are signatories to this Agreement, and their respective successors and assigns.

"BOCM" means Banc One Capital Markets, Inc. (formerly known as First Chicago Capital Markets, Inc.)

"Borrowing" means a borrowing consisting of Loans of the same type made, renewed or converted on the same day.

"Borrowing Base" means, with respect to an Inventory Valuation Date for which it is to be determined, an amount equal to the sum of the following unencumbered assets of the Borrower and the Guarantors: (i) the lesser of (a) one hundred percent (100%) of the Unrestricted Cash and (b) \$10,000,000.00, (ii) one-hundred percent (100%) of the Receivables, (iii) ninety percent (90%) of the book value of Housing Units Under Contract, (iv) seventy-five percent (75%) of the book value of Speculative Housing Units, (v) seventy percent (70%) of the book value of Finished Lots (subject to the limitation set forth below), (vi) fifty percent (50%) of the book value of Lots under Development (subject to the limitation set forth below), and (vii) the lesser of (a) twenty-five percent (25%) of the book value of Entitled Land and (b) \$30,000,000.00 (subject to the limitation set forth below). Notwithstanding the foregoing, the Borrowing Base shall not include any amounts under clauses (v), (vi) and (vii) above to the extent that the sum of such amounts exceeds forty percent (40%) of the total Borrowing Base. The term "unencumbered" means that such asset is not subject to any Lien (except for Liens permitted under Sections 6.01(1), (2) or (6)).

"Borrowing Base Certificate" means a written certificate in a form acceptable to the Majority Banks setting forth the amount of the Borrowing Base with respect to the fiscal quarter, or (if applicable under Section 2.01(d) or (e)) calendar month, most recently completed, certified as true and correct by the Chief Financial Officer of the Borrower.

"Business Day" means (i) with respect to any Borrowing, payment or rate selection of LIBOR Loans, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks

generally are open in Chicago for the conduct of substantially all of their commercial lending activities.

"Capital Lease" means all leases which have been or should be capitalized on the books of the lessee in accordance with GAAP.

"Change of Control" means any of the following: (i) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower or (except for an Internal Reorganization) of a Significant Guarantor or Significant Subsidiary, as an entirety or substantially as an entirety to any Person or "group" (within the meaning of Section 13(d)(3) of the Exchange Act) in one or a series of transactions; (ii) the acquisition of fifty percent (50%) or more of the aggregate voting power of all classes of Common Equity of the Borrower or (except for an Internal Reorganization) of a Significant Guarantor or Significant Subsidiary in one transaction or a series of related transactions; (iii) the liquidation or dissolution of the Borrower or (except for an Internal Reorganization) of a Significant Guarantor or Significant Subsidiary; (iv) any transaction or a series of related transactions (as a result of a tender offer, merger, consolidation or otherwise but excluding an Internal Reorganization) that results in, or that is in connection with, (a) any Person, including, a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) acquiring "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the aggregate voting power of all classes of Common Equity of the Borrower, a Significant Guarantor or a Significant Subsidiary, or of any Person that possesses "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the aggregate voting power of all classes of Common Equity of the Borrower, a Significant Guarantor or a Significant Subsidiary, or (b) less than fifty percent (50%) (measured by the aggregate voting power of all classes) of the Common Equity of the Borrower being registered under Section 12(b) or 12(g) of the Exchange Act; (v) a majority of the Board of Directors of the Borrower, a Significant Guarantor or a Significant Subsidiary, not being comprised of persons who (a) were members of the Board of Directors of such Borrower, Significant Guarantor or Significant Subsidiary, as of the date of this Agreement ("Original Directors"), or (b) were nominated for election or elected to the Board of Directors of such Borrower, Significant Guarantor, or Significant Subsidiary, with the affirmative vote of at least a majority of the directors who themselves were Original Directors or who were similarly nominated for election or elected; or (vi) with respect to any Significant Guarantor or Significant Subsidiary which is not a corporation, any loss of the right or power to control the activities, directly, or indirectly through one or more intermediaries, or both. Nothing herein contained shall modify or otherwise affect the provisions of Section 6.06.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and published interpretations thereof.

"Commitment" has the meaning assigned to such term in Section 2.01.

"Common Equity" of any Person means any and all shares, rights to purchase, warrants or options (whether or not currently exercisable), participations, or other equivalents of or interests in (however designated) the equity (which includes, but is not limited to, common

stock, preferred stock and partnership and joint venture interests) of such Person (excluding any debt securities convertible into, or exchangeable for, such equity) to the extent that the foregoing is entitled to (i) vote in the election of directors of such Person or (ii) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or other persons that will control the management and policies of such Person.

"Commonly Controlled Entity" means an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 414(b) or 414(c) of the Code.

"Consolidated Debt" means the Debt of the Borrower and its Subsidiaries determined on a consolidated basis (but shall not include Debt of any Joint Venture or Debt of any Subsidiary which is not a Guarantor, except to the extent that such Debt is guaranteed by the Borrower or a Guarantor).

"Consolidated Subordinated Debt" means, as of any date, all Debt of the Borrower and the Guarantors (on a consolidated basis), the payment of which is, either expressly by its terms or otherwise, subordinated to payment of the Obligations to the satisfaction of the Majority Banks.

"Consolidated Tangible Assets" of the Borrower means, as of any date, the total amount of assets of the Borrower and its Subsidiaries (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date (or on such date if such date is the last day of the fiscal quarter), as determined in accordance with GAAP, less (i) Intangible Assets and (ii) appropriate adjustments on account of minority interests of other Persons holding equity Investments in Subsidiaries, in the case of each of clauses (i) and (ii) above, as would be reflected on a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the fiscal quarter immediately preceding such date (or on such date if such date is the last day of the fiscal quarter), prepared in accordance with GAAP.

"Consolidated Tangible Net Worth" of the Borrower means, at any date, the consolidated stockholders' equity of the Borrower determined in accordance with GAAP, less Intangible Assets, all determined as of such date.

"D&P" means Duff & Phelps Credit Rating Co.

"Debt" means, without duplication, with respect to any Person (1) indebtedness or liability for borrowed money, including, without limitation, subordinated indebtedness (other than trade accounts payable and accruals incurred in the ordinary course of business); (2) obligations evidenced by bonds, debentures, notes, or other similar instruments; (3) obligations for the deferred purchase price of property (including, without limitation, seller financing of any Inventory) or services, PROVIDED, HOWEVER, that Debt shall not include obligations with respect to options to purchase real property that have not been exercised; (4) obligations as lessee under Capital Leases to the extent that the same would, in accordance with GAAP, appear as liabilities in the Borrower's consolidated balance sheet; (5) current liabilities in respect of unfunded vested benefits under Plans and incurred withdrawal liability under any Multiemployer Plan; (6)

reimbursement obligations under letters of credit (including contingent obligations with respect to letters of credit not yet drawn upon); (7) obligations under acceptance facilities; (8) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or entity, or otherwise to assure a creditor against loss, provided, however, that "Debt" shall not include guaranties of performance obligations; (9) obligations secured by any Liens on any property of such Person, whether or not the obligations have been assumed; and (10) net liabilities under interest rate swap, exchange or cap agreements.

"Debt/Cap Ratio" means, as at any date of determination, the quotient obtained by dividing (a) Consolidated Debt as at such date by (b) the sum of Consolidated Debt and Consolidated Tangible Net Worth as at such date.

"Default" means any of the events specified in Section 8.01, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollars" and the sign "\$" mean lawful money of the United States of America.

"EBITDA" means, for any period, on a consolidated basis for the Borrower and its Subsidiaries, the sum of the amounts for such period of (i) Net Income (but excluding from such Net Income for the applicable period any income derived from any Investment referred to in Section 6.07(9) to the extent that such income exceeds the cash distributions thereof received by the Borrower or its Subsidiaries in such period), PLUS (ii) charges against income for foreign, federal, state and local taxes, PLUS (iii) Interest Expense, PLUS (iv) depreciation, PLUS (v) amortization expense, including, without limitation, amortization of goodwill and other intangible assets and amortization of deferred compensation expense, PLUS (vi) extraordinary losses, MINUS (vii) interest income, MINUS (viii) extraordinary gains (and any unusual gains arising in or outside of the ordinary course of business not included in extraordinary gains that have been included in the determination of Net Income).

"Effective Date" means the later of (a) the date on which this Agreement has been fully executed and delivered by the Banks, the Agent, the Issuing Bank or Banks and the Borrower and (b) the date on which the conditions set forth in Section 3.01 have been satisfied.

"Entitled Land" means all Lots that are neither Lots under Development nor Finished Lots.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereof.

"Eurocurrency Reserve Requirement" means, for any Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on "Eurocurrency liabilities" (as such term is used in Regulation D) but without benefit or credit of proration, exemptions, or offsets that might otherwise be available from time to time under Regulation D. Without limiting the effect of the foregoing, the Eurocurrency Reserve Requirement shall reflect any other reserves required to be

maintained against (1) any category of liabilities that includes deposits by reference to which the LIBOR Interest Rate for LIBOR Loans is to be determined; or (2) any category of extension of credit or other assets that include LIBOR Loans.

"Event of Default" means any of the events specified in Section 8.01, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Extension Request" has the meaning assigned to that term in Section 2.19(a).

"Facility Letter of Credit" means (a) any Letter of Credit issued as a "Facility Letter of Credit" by Bank One as "Issuing Bank" under the Original Agreement that is outstanding on the Effective Date and (b) any Letter of Credit issued by an Issuing Bank for the account of the Borrower in accordance with Article XIII.

"Facility Letter of Credit Fee" means a fee, payable with respect to each Facility Letter of Credit issued by the Issuing Bank, in an amount per annum equal to the product of (i) the Applicable Letter of Credit Rate (determined as of the date on which the quarterly installment of such fee is due) and (ii) the face amount of such Facility Letter of Credit, which fee shall be calculated in the manner provided in Section 13.07.

"Facility Letter of Credit Obligations" means, at any date, the sum of (i) the aggregate undrawn face amount of all outstanding Facility Letters of Credit, and (ii) the aggregate amount paid by an Issuing Bank on any Facility Letters of Credit to the extent (if any) not reimbursed by the Borrower or by the Banks under Section 13.04.

"Federal Funds Rate" means, for each day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 A.M. Chicago time on such day on such transactions received by the Agent from three Federal Funds brokers of recognized standing selected by the Agent in its sole discretion.

"Finished Lots" means Lots in respect of which a building permit, from the applicable local governmental authority, has been or could be obtained; PROVIDED, HOWEVER, that the term "Finished Lots" shall not include any Land upon which the construction of a Housing Unit has commenced.

"Fitch" means Fitch Investors Services, L.P.

"GAAP" means generally accepted accounting principles in the United States in effect from time to time (subject to the provisions of Section 1.02).

"Guarantor" means an Original Guarantor, a New Guarantor and any Person that, pursuant to Section 5.15, guarantees the Obligations.

"Guaranty" means the guaranty of the Obligations by each Guarantor under the provisions of Article IX contained herein or under a guaranty of the Obligations delivered under Section 5.15.

"Housing Unit" means a single-family dwelling, including the Land on which such dwelling is located, whether such dwelling is detached or attached (including condominiums but excluding mobile homes), which dwelling is either under construction or completed and is (or, upon completion of construction thereof, will be) available for sale; the term "Housing Unit" includes a Speculative Housing Unit.

"Housing Unit Closing" means a closing of the sale of a Housing Unit by the Borrower or a Subsidiary (including any company or other entity acquired in an Acquisition by the Borrower or a Subsidiary) to a BONA FIDE purchaser for value that is not an Affiliate.

"Housing Unit Under Contract" means a Housing Unit owned by the Borrower or a Subsidiary as to which the Borrower or such Subsidiary has a BONA FIDE contract of sale, in a form customarily employed by the Borrower or such Subsidiary and reasonably satisfactory to the Majority Banks, entered into not more than 15 months prior to the date of determination with a Person who is not an Affiliate, under which contract no defaults then exist and not less than \$1,000.00 toward the purchase price has been paid; PROVIDED, HOWEVER, that in the case of any Housing Unit the purchase of which is to be financed in whole or in part by a loan insured by the Federal Housing Administration or guaranteed by the Veterans Administration, the required minimum downpayment shall be the amount (if any) required under the rules of the relevant agency.

"Incur" means to, directly or indirectly, create, incur, assume, guarantee, extend the maturity of or otherwise become liable with respect to any Debt; provided, however, that neither the accrual of interest (whether such interest is payable in cash or kind) nor the accretion of original issue discount shall be considered an Incurrence of Debt.

"Intangible Assets" means, at any time, the amount (to the extent reflected in determining consolidated stockholders equity of the Borrower and its Subsidiaries) of (i) Investments in any Subsidiaries that are not Guarantors and (ii) all unamortized debt discount and expense, unamortized deferred charges, good will, patents, trademarks, service marks, trade names, copyrights and all other items which would be treated as intangibles on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP.

"Interest Deficit" has the meaning assigned to that term in Section 2.08(b) hereof.

"Interest Expense" means, for any period, the total interest expense of the Borrower and its Subsidiaries, whether paid directly or amortized through cost of sales (including the interest component of Capital Leases).

"Interest Period" means, with respect to any LIBOR Loan, the period commencing on the date such Loan is made, converted or renewed, and ending, as the Borrower may select pursuant to Section 2.03, on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, except that each such Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(a) No Interest Period may extend beyond the Termination Date; and

(b) If an Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended to the next Business Day unless such Business Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Business Day.

"Internal Reorganization" means any reorganization between or among the Borrower and any Subsidiary or Subsidiaries or between or among any Subsidiary and one or more other Subsidiaries or any combination thereof by way of liquidations, mergers, consolidations, conveyances, assignments, sales, transfers and other dispositions of all or substantially all of the assets of a Subsidiary (whether in one transaction or in a series of transactions); PROVIDED THAT (a) the Borrower shall preserve and maintain its status as a validly existing corporation and (b) all assets, liabilities, obligations and guarantees of any Subsidiary party to such reorganization will continue to be held by such Subsidiary or be assumed by the Borrower or a Wholly-Owned Subsidiary of the Borrower.

"Inventory" means all Housing Units, Lots, goods, merchandise and other personal property wherever located to be used for or incorporated into any Housing Unit.

"Inventory Valuation Date" means (a) the last day of the most recent fiscal quarter of the Borrower with respect to which the Borrower is required to have delivered a Borrowing Base Certificate pursuant to Section 5.08(6) hereof or (b) if the Borrower elects pursuant to Section 2.01(d) or is required pursuant to Section 2.01(e) to deliver a Borrowing Base Certificate with respect to a calendar month subsequent to such most recent fiscal quarter, the last day of such subsequent calendar month.

"Investment" has the meaning provided therefor in Section 6.07. The amount of any Investment shall include (a) in the case of any loan or advance, the outstanding amount of such loan or advance and (b) in the case of any equity Investment, the amount of the "net equity investment" as determined in accordance with GAAP; PROVIDED, HOWEVER, that, solely for purposes of Section 6.07(12), the amount of the Investment in a Joint Venture shall be the "net cash investment" therein, as determined in accordance with GAAP, but not less than zero (0).

"Issuance Date" means the date on which a Facility Letter of Credit is issued, amended or extended.

"Issuing Bank" means Bank One and any other Bank that may from time to time be designated as an Issuing Bank in accordance with the provisions of Section 13.10.

"Joint Venture" means any Person (other than a Subsidiary) in which the Borrower or a Subsidiary holds any stock, partnership interest, joint venture interest, limited liability company interest or other equity interest.

"Land" means land owned by the Borrower or a Subsidiary, which land is being developed or is held for future development or sale.

"Lending Office" means, with respect to any Bank, the Lending Office of such Bank (or of an affiliate of such Bank) designated on the signature pages hereof or such other office or branch of such Bank (or of an affiliate of such Bank) as that Bank may from time to time specify to the Borrower and the Agent as the office or branch at which its Loans (or Loans of a type designated in such notice) are to be made and maintained.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued by a financial institution upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Level" means the level of a Pricing Factor, Applicable Margin or Applicable Commitment Rate (as applicable) as designated in the Table set forth in Section 2.05. The five Levels in such Table are identified as Levels I through V, and Level I shall constitute the lowest Level and Level V shall constitute the highest Level.

"LIBOR Interest Rate" means, for each LIBOR Loan for the relevant Interest Period, the rate per annum (rounded upward, if necessary, to the nearest one-sixteenth of 1%) determined by the Agent to be equal to the quotient of (a) the London Interbank Offered Rate for such LIBOR Loan for such Interest Period divided by (b) one minus the Eurocurrency Reserve Requirement for such Interest Period.

"LIBOR Loan" means any Loan when and to the extent that the interest rate therefor is determined by reference to the LIBOR Interest Rate.

"Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

"Loan(s)" means a loan made by a Bank pursuant to this Agreement, including (unless the context otherwise indicates) a Swing Line Loan. Each such Loan (other than a Swing Line Loan) shall be an ABR Loan or a LIBOR Loan.

"Loan Document(s)" means this Agreement, the Notes, the Reimbursement Agreements, and any and all documents delivered hereunder or pursuant hereto.

"London Interbank Offered Rate" means, with respect to a LIBOR Loan for the relevant Interest Period, the rate determined by the Agent to be the rate at which deposits in U.S. Dollars are offered by Bank One to first-class banks in the London interbank market at approximately 11:00 A.M. (London time) two (2) Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant LIBOR Loan and having a maturity approximately equal to such Interest Period.

"Lots" means all Land owned by the Borrower and/or a Subsidiary which is zoned by the municipality in which such real property is located for residential building and use, and with respect to which the Borrower or such Subsidiary has obtained all necessary approvals for its subdivision for Housing Units; PROVIDED, HOWEVER, that the term "Lots" shall not include any Land upon which the construction of a Housing Unit has commenced.

"Lots under Development" means Lots with respect to which construction of streets or other subdivision improvements has commenced but which are not Finished Lots.

"Majority Banks" means at any time the Banks holding at least sixty-six and two-thirds percent (66 2/3%) of the then aggregate unpaid principal amount of the Notes held by the Banks (including in such amount any participation held by such Bank as a result of its purchase thereof pursuant to Section 10.07), or, if no such principal amount is then outstanding, Banks having at least sixty-six and two-thirds percent (66 2/3%) of the Aggregate Commitments.

"Merged Banks" has the meaning assigned to that term in Section 12.03(c).

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a plan described in Section 4001(a)(3) of ERISA in respect of which the Borrower, a Subsidiary or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA.

"Net Income" means, for any period, the net earnings (or loss) after taxes of the Borrower and its Subsidiaries on a consolidated basis for such period.

"New Guarantors" has the meaning assigned to that term in the preamble to this Agreement.

"Note(s)" means the promissory notes described in Section 2.10 hereof.

"Notice of Assignment" has the meaning assigned to that term in Section 12.03(b) hereof.

"Obligations" means (a) the due and punctual payment of principal of and interest on the Loans and the Notes, (b) the due and punctual payment of the Facility Letter of Credit Obligations, and (c) the due and punctual payment of fees, expenses, reimbursements,

indemnifications and other present and future monetary obligations of the Borrower to the Banks or to any Bank, the Agent, the Issuing Bank or any indemnified party under the Loan Documents.

"Original Agreement" has the meaning assigned to that term in the recitals of this Agreement.

"Original Guarantors" has the meaning assigned to that term in the preamble to this Agreement.

"Participant" has the meaning assigned to that term in Section 12.02(a) hereof.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Performance Letter of Credit" means any Letter of Credit of the Borrower or a Guarantor that is issued for the benefit of a municipality, other governmental authority, utility, water or sewer authority, or other similar entity for the purpose of assuring such beneficiary of the Letter of Credit of the proper and timely completion of construction work.

"Permitted Acquisition" means any Acquisition (other than by means of a hostile takeover, hostile tender offer or other similar hostile transaction) of a business or entity engaged primarily in the business of home building; provided that, immediately after giving effect to such Acquisition, no Default or Event of Default has occurred and is continuing.

"Permitted Senior Debt" means the sum of all Debt of the Borrower and its Subsidiaries on a consolidated basis, excluding (i) Secured Debt, (ii) Performance Letters of Credit, (iii) performance bonds and (iv) Debt of any Joint Venture.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, limited liability company, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

"Plan" means any pension plan which is covered by Title IV of ERISA and in respect of which (a) the Borrower or a Subsidiary or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA and (b) the Borrower or a Subsidiary has any material liability; PROVIDED, HOWEVER, that the term "Plan" shall not include any Multiemployer Plan.

"PNC" means PNC Bank, N.A.

"PNC Letters of Credit" has the meaning ascribed to that term in Section 13.10 hereof.

"Pricing Factor" means either the Debt/Cap Ratio or the Senior Debt Rating.

"Prime Rate" means a rate per annum equal of the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Principal Office" means, with respect to the Agent, the Principal Office of the Agent designated as such on the signature pages hereof or such other office of the Agent as the Agent may from time to time specify to the Borrower and the Banks as its Principal Office.

"Prohibited Transaction" means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code that could subject the Borrower or any Subsidiary to any material liability.

"Purchaser" has the meaning assigned to that term in Section 12.03(a) hereof.

"Receivables" means the net proceeds payable to, but not yet received by, the Borrower or a Subsidiary following a Housing Unit Closing.

"Refinancing Debt" means Debt that refunds, refinances or extends any applicable Debt ("Refinanced Debt") but only to the extent that (i) the Refinancing Debt is subordinated to or PARI PASSU with the Obligations to the same extent as such Refinanced Debt, if at all, (ii) the Refinancing Debt is scheduled to mature no earlier than the earlier of (A) the current maturity date of such Refinanced Debt or (B) a date three (3) years after the Termination Date (as determined at the time such Refinancing Debt is Incurred), (iii) such Refinancing Debt is in an aggregate amount that is equal to or less than the sum of (A) the aggregate amount then outstanding under the Refinanced Debt, PLUS (B) accrued and unpaid interest on such Refinanced Debt, PLUS (C) reasonable fees and expenses incurred in obtaining such Refinancing Debt, it being understood that this clause (iii) shall not preclude the Refinancing Debt from being a part of a Debt financing that includes other or additional Debt otherwise permitted herein, (iv) such Refinancing Debt is Incurred by the same Person that initially Incurred such Refinanced Debt or by another Person of which the Person that initially Incurred such Refinanced Debt is a Subsidiary, and (v) such Refinancing Debt is Incurred within 60 days after such Refinanced Debt is so refunded, refinanced or extended.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official

interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

"Reimbursement Agreement" means, with respect to a Facility Letter of Credit, such form of application therefor and form of reimbursement agreement therefor (whether in a single or several documents, taken together) as the applicable Issuing Bank may employ in the ordinary course of business for its own account, with the modifications thereto as may be agreed upon by such Issuing Bank and the Borrower and as are not materially adverse (in the reasonable judgment of such Issuing Bank and the Agent) to the interests of the Banks; PROVIDED, HOWEVER, in the event of any conflict between the terms of any Reimbursement Agreement and this Agreement, the terms of this Agreement shall control.

"Rejecting Bank" has the meaning assigned to such term in Section 2.19(b).

"Replacement Bank" has the meaning assigned to such term in Section 2.20.

"Reportable Event" means any of the events set forth in Section 4043 of ERISA with respect to a Plan (excluding any such event with respect to which the PBGC has waived the 30-day notice requirement).

"S&P" means Standard & Poor's Rating Services.

"Secured Debt" means all Debt of the Borrower or any of its Subsidiaries (excluding Debt owing to the Borrower or any of its Subsidiaries) that is secured by a Lien on assets of the Borrower or any of its Subsidiaries.

"Senior Debt" means the Senior Notes or, if the Senior Notes are refinanced, the Refinancing Debt with respect thereto.

"Senior Debt Rating" means the second highest rating among the publicly announced ratings of Moody's, S&P, D&P and/or Fitch of the Borrower's unsecured long-term debt (including the Senior Debt and the Obligations), provided, however, (i) at any time at which neither of the two highest ratings is by Moody's or S&P, the Senior Debt Rating shall be (x) the rating assigned by either Moody's or S&P at any time at which only one of Moody's or S&P shall publicly announce a rating of the Borrower's unsecured long-term debt, or (y) the higher of the two ratings by Moody's and S&P at any time at which both shall publicly announce a rating of the Borrower's unsecured long-term debt, and (ii) at any time at which (A) none of Moody's, S&P, D&P or Fitch publicly announces ratings of the Borrower's unsecured long-term debt, or (B) neither Moody's nor S&P publicly announces ratings of the Borrower's unsecured long-term debt, no Senior Debt Rating shall be deemed to exist. The Senior Debt Rating shall change if and when such rating(s) change, and such change in the Senior Debt Rating shall have the effect provided for in Section 2.05 and elsewhere in this Agreement.

"Senior Indentures" means either of the Indentures identified in the definition of the term "Senior Notes" and any other Indenture hereafter entered into by the Borrower pursuant to which the Borrower Incurs any Refinancing Debt with respect to any of the Senior Notes.

"Senior Notes" means (i) the 9% Senior Notes due 2004 of the Borrower issued in the original principal amount of \$115,000,000 pursuant to the Indenture dated March 2, 1994 and (ii) the 8 7/8 percent Senior Notes due 2008 of the Borrower issued in the original principal amount of \$100,000,000 pursuant to the Indenture dated March 25, 1998.

"Significant Guarantor" means, at any date of determination thereof, any Guarantor that (together with its Subsidiaries) accounts for five percent (5%) or more of the Consolidated Tangible Assets as of the last day of the most recent fiscal quarter then ended and of the net revenues for the twelve-month period ending on the last day of the most recent fiscal quarter then ended, in each case of the Borrower and its Subsidiaries taken as a whole. Such percentage shall be determined on the basis of financial reports that shall be available not later than 25 days (or, in the case of the last fiscal quarter of the fiscal year, 35 days) following the end of such fiscal quarter.

"Significant Subsidiary" means, at any date of determination thereof, any Subsidiary that (together with its Subsidiaries) accounts for five percent (5%) or more of the Consolidated Tangible Assets as of the last day of the most recent fiscal quarter then ended and of the net revenues for the twelve-month period ending on the last day of the most recent fiscal quarter then ended, in each case of the Borrower and its Subsidiaries taken as a whole. Such percentage shall be determined on the basis of financial reports that shall be available not later than 25 days (or, in the case of the last fiscal quarter of the fiscal year, 35 days) following the end of such fiscal quarter.

"Speculative Housing Unit" means any Housing Unit owned by the Borrower or a Subsidiary that is not a Housing Unit Under Contract.

"STIC" means Security Title Insurance Company, Inc., a Vermont corporation and Wholly Owned Subsidiary of the Borrower.

"Subsidiary" means, as to the Borrower or a Guarantor, in the case of a corporation, a corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation are at the time owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by the Borrower or such Guarantor, as the case may be, or in the case of an entity which is not a corporation, the activities of which are controlled directly, or indirectly through one or more intermediaries, or both, by the Borrower or such Guarantor, as the case may be.

"Swing Line Bank" means Bank One or any Purchaser to which Bank One assigns the Swing Line Commitment in accordance with Section 12.03 hereof.

"Swing Line Commitment" means the commitment of the Swing Line Bank to make Swing Line Loans pursuant to Section 2.21(a) hereof. The Swing Line Commitment is in the amount of \$10,000,000.

"Swing Line Loan" has the meaning assigned to such term in Section 2.21(a).

"Termination Date" means November 2, 2002.

"Transferee" has the meaning assigned to that term in Section 12.04.

"UHIC" means United Homes Insurance Corporation, a Vermont corporation and Wholly Owned Subsidiary of the Borrower.

"Unrestricted Cash" of a Person means the cash of such Person that would not be identified as "restricted" on a balance sheet of such Person prepared in accordance with GAAP.

"Wholly Owned Subsidiary" of any Person means (i) a Subsidiary, of which one hundred percent (100%) of the outstanding Common Equity (except for directors' qualifying shares or certain minority interests owned by other Persons solely due to local law requirements that there be more than one stockholder, but which interest is not in excess of what is required for such purpose) is owned directly by such Person or through one or more other Wholly Owned Subsidiaries of such Person, or (ii) any entity other than a corporation in which such Person, directly or indirectly, owns all of the outstanding Common Equity of such entity.

"Year 2000 Issues" means anticipated costs, problems and uncertainties associated with the inability of the Borrower's or its Subsidiaries' computer applications to effectively handle data (including dates) on and after January 1, 2000, as such inability affects the business, operations, or financial condition of the Borrower or its Subsidiaries.

SECTION 1.02. ACCOUNTING TERMS. (a) All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements referred to in Section 4.04, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

(b) Notwithstanding anything to the contrary contained in this Agreement, in determining the Borrower's compliance with the provisions of Article VII hereof, GAAP shall not include modifications of generally accepted accounting principles that become effective after the date hereof.

ARTICLE II

AMOUNTS AND TERMS OF THE LOANS

SECTION 2.01. REVOLVING CREDIT. (a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Loans (other than Swing Line Loans) to the Borrower from time to time during the period from the date of this Agreement up to but not including the Termination Date, and to purchase undivided interests and participations in Facility Letters of Credit in accordance with Section 13.06, in an aggregate principal amount of Loans and of such Bank's ratable share of Facility Letter of Credit Obligations not to exceed at any time outstanding the amount set opposite such Bank's name on the signature pages of this Agreement (such Bank's obligations to make Loans (other than Swing Line Loans) and to purchase undivided interests and participations in Facility Letters of Credit in accordance with

Section 13.06 in such amounts, as reduced, increased or otherwise modified from time to time pursuant to the terms of this Agreement, being herein referred to as such Bank's "Commitment"), subject to the limitations set forth in Section 2.01(b) and Section 13.02.

(b) The aggregate amount of Permitted Senior Debt at any one time outstanding may not exceed the Borrowing Base as of the most recent Inventory Valuation Date, and no Loan (including a Swing Line Loan) shall be made that would have the effect of increasing the then outstanding amount of the Permitted Senior Debt to an amount exceeding such Borrowing Base, provided that a Loan shall not be deemed to have increased the amount of the Permitted Senior Debt to the extent that the proceeds of such Loan are immediately used to repay a Swing Line Loan theretofore included in the Permitted Senior Debt. No Loans shall be made at any time that any Swing Line Loan is outstanding, except for Loans that are used, on the day on which made, to repay in full the outstanding principal balance of the Swing Line Loans.

(c) Each Borrowing which shall not utilize the Commitment in full shall be in an amount not less than One Million Dollars (\$1,000,000) for a Borrowing consisting of LIBOR Loans and Five Hundred Thousand Dollars (\$500,000) in the case of a Borrowing consisting of ABR Loans and, in either case, if in excess of the specified amount, in integral multiples of One Hundred Thousand Dollars (\$100,000). Each Borrowing shall consist of a Loan made by each Bank in the proportion which that Bank's Commitment bears to the Aggregate Commitments. Within the limits of the Aggregate Commitments, the Borrower may borrow, repay pursuant to Section 2.11, and reborrow under this Section 2.01. On such terms and conditions, the Loans may be outstanding as ABR Loans or LIBOR Loans. Each type of Loan shall be made and maintained at such Bank's Lending Office for such type of Loan. The failure of any Bank to make any requested Loan to be made by it on the date specified for such Loan shall not relieve any other Bank of its obligation (if any) to make such Loan on such date, but no Bank shall be responsible for the failure of any other Bank to make such Loans to be made by such other Bank. The provisions of this Section 2.01(c) shall not apply to Swing Line Loans.

(d) The Borrower may elect to deliver to the Agent a Borrowing Base Certificate setting forth the Borrowing Base as of the last day of a calendar month subsequent to the most recent fiscal quarter with respect to which a Borrowing Base Certificate was required to be delivered under Section 5.08(6) of the Agreement.

(e) The Agent or the Majority Lenders may, upon notice to the Borrower from the Agent, require the Borrower to deliver a Borrowing Base Certificate determined as of the last day of a calendar month (as designated in such notice) subsequent to the fiscal quarter with respect to which a Borrowing Base Certificate was required to be delivered under Section 5.08(6) of the Agreement, provided that the Borrowing Base Certificate under this Section 2.01(e) shall only be required to be delivered on the later to occur of (i) the tenth (10th) day following the Agent's notice to the Borrower under this Section 2.01(e) or (ii) the twenty-fifth (25th) day after the last day of the applicable calendar month (as designated in such notice).

(f) The Borrower may elect to include in a Borrowing Base Certificate delivered in anticipation of a Permitted Acquisition all assets that would have been included in the Borrowing Base had the Permitted Acquisition been consummated as of the last day of the

most recent fiscal quarter or (if applicable under Section 2.01(d) or (e)) calendar month, provided, however, that such Borrowing Base Certificate shall expressly state that it is delivered in anticipation of, and shall only be effective hereunder for purposes of Borrowings made on or after, the consummation of such Permitted Acquisition (it being understood that, until the consummation of such Permitted Acquisition, the previously delivered Borrowing Base Certificate shall remain in effect).

SECTION 2.02. REDUCTION OF AGGREGATE COMMITMENTS. The Borrower shall have the right, upon at least three (3) Business Days' prior notice to the Agent, to terminate in whole or reduce in part the unused portion of the Aggregate Commitments, provided that each partial reduction shall be in the amount of at least Five Million Dollars (\$5,000,000), and provided further that no reduction shall be permitted if, after giving effect thereto, and to any prepayment made therewith, the sum of (i) the outstanding and unpaid principal amount of the Loans and (ii) the Facility Letter of Credit Obligations shall exceed the Aggregate Commitments. Each reduction in part of the unused portion of each Bank's Commitment shall be made in the proportion that such Bank's Commitment bears to the total amount of the Aggregate Commitments. Any Commitment, once reduced or terminated, may not be reinstated.

SECTION 2.03. NOTICE AND MANNER OF BORROWING. The Borrower shall give the Agent notice of any Loans under this Agreement, on the Business Day of each ABR Loan, and at least three (3) Business Days before each LIBOR Loan, specifying: (1) the date of such Loan; (2) the amount of such Loan; (3) the type of Loan (whether an ABR Loan or a LIBOR Loan); and (4) in the case of a LIBOR Loan, the duration of the Interest Period applicable thereto. All notices given by the Borrower under this Section 2.03 shall be irrevocable and shall be given not later than 10:00 A.M. Chicago time on the day specified above for such notice. The Agent shall notify each Bank of each such notice (including any notice provided for in Section 2.20(d)) not later than 11:00 A.M. Chicago time on the date it receives such notice from the Borrower if such notice is received by the Agent at or before 10:00 A.M. Chicago time. In the event such notice from the Borrower is received after 10:00 A.M. Chicago time, it shall be treated as if received on the next succeeding Business Day, and the Agent shall notify each Bank of such notice as soon as practicable but not later than 11:00 A.M. Chicago time on the next succeeding Business Day. Not later than 1:00 P.M. Chicago time on the date of such Loans, each Bank will make available to the Agent in immediately available funds, such Bank's PRO RATA share of such Loans. After the Agent's receipt of such funds, on the date of such Loans and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such Loans available to the Borrower in immediately available funds by crediting the amount thereof to the Borrower's account with the Agent. The provisions of this Section 2.03 shall not apply to Swing Line Loans.

SECTION 2.04. NON-RECEIPT OF FUNDS BY AGENT. (a) Unless the Agent shall have received notice from a Bank prior to the date (in the case of a LIBOR Loan), or by 12:00 noon Chicago time on the date (in the case of an ABR Loan), on which such Bank is to provide funds to the Agent for a Loan to be made by such Bank that such Bank will not make available to the Agent such funds, the Agent may assume that such Bank has made such funds available to the Agent on the date of such Loan in accordance with Section 2.03 and the Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent such Bank shall not have given the notice provided for above and shall not

have made such funds available to the Agent, such Bank agrees to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at the Federal Funds Rate for three Business Days and thereafter at the Alternate Base Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan for purposes of this Agreement. If such Bank does not pay such corresponding amount forthwith upon Agent's demand therefor, the Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Agent with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at the rate of interest applicable at the time to such proposed Loan. Nothing set forth in this Section shall affect the rights of the Borrower with respect to any Bank that defaults in the performance of its obligation to make a Loan hereunder.

(b) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate for three Business Days and thereafter at the Alternate Base Rate.

(c) The provisions of this Section 2.04 shall not apply to Swing Line Loans.

SECTION 2.05. DETERMINATION OF APPLICABLE MARGINS AND APPLICABLE COMMITMENT RATE. (a) The Applicable Margins and the Applicable Commitment Rate shall be determined by reference to the Senior Debt Rating and the Debt/Cap Ratio in accordance with the following table and the provisions of this Section 2.05:

Level	Senior Debt Rating	Debt/Cap Ratio	Applicable LIBOR Margin	Applicable ABR Margin	Applicable Commitment Rate
V	BBB-/Baa3	less than 30%	.80%	-0-	0.20%

IV	BB+/Ba1	equal to or more than 30% and less than 35%	1.00%	-0-	0.225%
III	BB/Ba2	equal to or more than 35% and less than 40%	1.15%	-0-	0.25%
II	BB-/Ba3 B+/B1	equal to or more than 40% and less than 55%	1.35%	0.10%	0.30%
I	B/B2 & Below	55% or more	1.55%	0.30%	0.35%

The Applicable Margins and Applicable Commitment Rate shall be determined on the basis of the Levels of the Pricing Factors in accordance with the following provisions:

(i) At any time at which the Pricing Factors are at the same Level, the Applicable Margins and Applicable Commitment Rate shall be at that Level;

(ii) At any time at which the Pricing Factors are at different Levels, the Applicable Margins and the Applicable Commitment Rate shall be at the Level that corresponds to (A) the Level of the higher of the two Pricing Factors (i.e. the lower pricing) whenever the Pricing Factors differ by one Level and (B) the Level that is one Level lower than the higher of the two Pricing Factors whenever the Pricing Factors differ by more than one Level;

(iii) At any time at which there is or is deemed to be no Senior Debt Rating, the Applicable Margins and the Applicable Commitment Rate shall be at the Level that is one Level lower than the Level of the Debt/Cap Ratio; and

(iv) At any time at which (A) neither D&P nor Fitch publicly announces a rating of the Borrower's unsecured long-term debt, and (B) Moody's or S&P (but not both) publicly announces a rating of the Borrower's unsecured long-term debt, the Applicable Margin and Applicable Commitment Rate shall be determined in accordance with subsections (i) and (ii) above (as applicable), except that (A) the Applicable LIBOR Margin set forth in the Table above shall be increased by 0.075% and (B) the Applicable Commitment Rate set forth in the Table shall be increased by 0.025%.

(b) The Applicable Margin and the Applicable Commitment Rate shall be adjusted, from time to time, effective (as applicable) on the first Business Day after any change in the Senior Debt Ratings that results in any change in the Applicable Margins or Applicable Commitment Rate or the fifth (5th) Business Day after the Agent's receipt of the Borrower's quarterly or annual financial statements evidencing a change in the Debt/Cap Ratio that results in any change in the Applicable Margins or Applicable Commitment Rates, PROVIDED, HOWEVER, that any change

in the Applicable LIBOR Margin shall only apply to LIBOR Loans for Interest Periods commencing after such change in the Applicable LIBOR Margin is effective.

SECTION 2.06. CONVERSIONS AND RENEWALS. The Borrower may elect from time to time to convert all or a part of one type of Loan into another type of Loan or to renew all or part of a Loan by giving the Agent notice at least one (1) Business Day before conversion into an ABR Loan, and at least three (3) Business Days before the conversion into or renewal of a LIBOR Loan, specifying: (1) the renewal or conversion date; (2) the amount of the Loan to be converted or renewed; (3) in the case of conversions, the type of Loan to be converted into; and (4) in the case of renewals of or a conversion into a LIBOR Loan, the duration of the Interest Period applicable thereto; PROVIDED that (a) the minimum principal amount of each Loan of each Bank outstanding after a renewal or conversion shall be One Million Dollars (\$1,000,000) in the case of a LIBOR Loan, and Two Hundred Fifty Thousand Dollars (\$250,000) in the case of an ABR Loan; and (b) LIBOR Loans may be converted on a Business Day that is not the last day of the Interest Period for such Loan only if the Borrower pays on the date of conversion all amounts due pursuant to Section 2.17 hereof; and (c) the Borrower may not renew a LIBOR Loan or convert an ABR Loan into a LIBOR Loan at any time that a Default has occurred that is continuing. Each such notice shall be accompanied by a Borrowing Base Certificate dated as at the date of such notice. All conversions and renewals shall be made in the proportion that each Bank's Loan bears to the total amount of all the Banks' Loans. All notices given by the Borrower under this Section 2.06 shall be irrevocable and shall be given not later than 10:00 A.M. Chicago time on the day which is not less than the number of Business Days specified above for such notice. The Agent shall notify each Bank of each such notice not later than 11:00 A.M. Chicago time on the date it receives such notice from the Borrower if such notice is received by the Agent at or before 10:00 A.M. Chicago time. In the event such notice from the Borrower is received after 10:00 A.M. Chicago time, it shall be treated as if received on the next succeeding Business Day, and the Agent shall notify each Bank of such notice as soon as practicable but not later than 11:00 A.M. Chicago time on the next succeeding Business Day. Notwithstanding the foregoing, if the Borrower shall fail to give the Agent the notice as specified above for the renewal or conversion of a LIBOR Loan prior to the end of the Interest Period with respect thereto, such LIBOR Loan shall automatically be converted into an ABR Loan on the last day of the Interest Period for such Loan. The provisions of this Section 2.06 shall not apply to Swing Line Loans.

SECTION 2.07. INTEREST. (a) The Borrower shall pay interest to the Agent for the account of each Bank on the outstanding and unpaid principal amount of the Loans at the following rates:

(i) If an ABR Loan or Swing Line Loan, then at a rate per annum equal to the sum of (A) the Applicable ABR Margin in effect from time to time as interest accrues and (B) the Alternate Base Rate in effect from time to time as interest accrues; and

(ii) if a LIBOR Loan, then at a rate per annum for the Interest Period applicable to such LIBOR Loan equal to the sum of (A) the Applicable LIBOR

Margin in effect on the first day of such Interest Period and (B) the LIBOR Interest Rate determined for such Interest Period.

(b) Any change in the interest rate based on the Alternate Base Rate resulting from a change in the Alternate Base Rate shall be effective as of the opening of business on the day on which such change in the Alternate Base Rate becomes effective. Interest on each LIBOR Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Interest on each ABR Loan and Swing Line Loan shall be calculated on the basis of a year of 365 days for the actual number of days elapsed.

(c) Interest on the Loans shall be paid (in an amount set forth in a statement delivered by the Agent to the Borrower, PROVIDED, HOWEVER, that the failure of the Agent to deliver such statement shall not limit or otherwise affect the obligations of the Borrower hereunder) in immediately available funds to the Agent at its Principal Office for the account of the applicable Lending Office of each Bank as follows:

- (1) For each ABR Loan and Swing Line Loan on the first day of each calendar month commencing on the first such date after such Loan;
- (2) For each LIBOR Loan, on the last day of the Interest Period with respect thereto, except that, if such Interest Period is longer than three months, interest shall also be paid on the last day of the third month of such Interest Period; and
- (3) If not sooner paid, then on the Termination Date or such earlier date as the Loans may be due or declared due hereunder.

(d) Any principal amount of any Loan not paid when due (at maturity, by acceleration, or otherwise) shall bear interest thereafter until paid in full, payable on demand, at a rate per annum equal to the Alternate Base Rate or the applicable LIBOR Interest Rate, as the case may be, for such Loan in effect from time to time as interest accrues, plus the Applicable Margin in effect from time to time as interest accrues, plus two percent (2%) per annum.

SECTION 2.08. INTEREST RATE DETERMINATION. (a) The Agent shall determine each London Interbank Offered Rate, as applicable. The Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Agent pursuant to the terms of this Agreement.

(b) If the provisions of this Agreement or any Note would at any time require payment by the Borrower to a Bank of any amount of interest in excess of the maximum amount then permitted by the law applicable to any Loan, the interest payments to such Bank shall be reduced to the extent necessary so that such Bank shall not receive interest in excess of such maximum amount. If, as a result of the foregoing a Bank shall receive interest payments hereunder or under a Note in an amount less than the amount otherwise provided hereunder, such deficit (hereinafter called "Interest Deficit") will cumulate and will be carried forward (without interest) until the termination of this Agreement. Interest otherwise payable to a Bank hereunder and under a Note for any subsequent period shall be increased by the maximum amount of the Interest Deficit that may be so added without causing such Bank to receive interest in excess of

the maximum amount then permitted by the law applicable to the Loans. The amount of the Interest Deficit relating to the Loans shall be treated as a prepayment premium (to the extent permitted by law) and paid in full at the time of any optional prepayment by the Borrower to the Banks of all the Loans at that time outstanding pursuant to Section 2.11 hereof. The amount of the Interest Deficit relating to the Loans at the time of any complete payment of the Loans at that time outstanding (other than an optional prepayment thereof pursuant to Section 2.11 hereof) shall be canceled and not paid.

SECTION 2.09. FEES. (a) The Borrower shall pay to BOCM upon the execution of this Agreement a one time, nonrefundable fee in the amount provided for in that certain fee letter dated November 23, 1999 from the Agent and BOCM to the Borrower and accepted by the Borrower on December 2, 1999. The Agent shall deliver to each Bank that was not a party to the Original Agreement its applicable fee (as set forth in the invitation letter dated December 2, 1999 from BOCM to such Banks) promptly upon the Agent's receipt thereof.

(b) The Borrower agrees to pay to the Agent for the account of each Bank (subject to adjustment in the case of the Swing Line Bank as hereinafter provided) a commitment fee on the average daily unused portion of such Bank's Commitment (in an amount set forth in a statement delivered by the Agent to the Borrower, PROVIDED, HOWEVER, that the failure of the Agent to deliver such statement shall not limit or otherwise affect the obligations of the Borrower hereunder) from the date of this Agreement until the Termination Date at the Applicable Commitment Rate, payable in arrears on the first day of each January, April, July and October during the term of such Bank's Commitment, commencing January 1, 1999, and ending on the Termination Date. The commitment fees shall be calculated on the basis of a year of 365 days for the actual number of days elapsed. Upon receipt of any commitment fees, the Agent will promptly thereafter cause to be distributed such payments to the Banks in the proportion that each Bank's unused Commitment bears to the unused Aggregate Commitments (subject to adjustment in the case of the Swing Line Bank as hereinafter provided). For purposes of determining the commitment fee payable to the Swing Line Bank, the unused portion of such Bank's Commitment shall be reduced dollar-for-dollar by the amount of any Swing Line Loans then outstanding.

(c) The Borrower shall pay to the Agent and BOCM (to the extent not heretofore paid) such additional fees as are specified in a fee letter from the Agent and BOCM to the Borrower dated October 30, 1998 accepted by the Borrower on November 2, 1998.

SECTION 2.10. NOTES. All Loans made by each Bank under this Agreement shall be evidenced by, and repaid with interest in accordance with, a single promissory note of the Borrower (a) in substantially the form of EXHIBIT A hereto in the case of each Bank that is not a party to the Original Agreement, in each case duly completed, dated the date of this Agreement, and payable to such Bank for the account of its applicable Lending Office, such Note to represent the obligation of the Borrower to repay the Loans made by such Bank and (b) in the case of each Bank that is party to the Original Agreement, the Note heretofore delivered by the Borrower to such Bank pursuant to the Original Agreement, such Note representing the obligation of Borrower to repay the Loans made by such Bank. Each Bank is hereby authorized by the Borrower to endorse on the schedule attached to the Note held by it the amount and type

of each Loan and each renewal, conversion, and payment of principal amount received by such Bank for the account of its applicable Lending Office on account of its Loans, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of the Loans made by such Bank; PROVIDED, HOWEVER, that the failure to make such notation with respect to any Loan or renewal, conversion, or payment shall not limit or otherwise affect the obligations of the Borrower under this Agreement or the Note held by such Bank. All Loans shall be repaid on the Termination Date.

SECTION 2.11. PREPAYMENTS. (a) The Borrower may, upon notice to the Agent not later than 11:00 A.M. (Chicago time) on the date of prepayment in the case of ABR Loans and at least three (3) Business Days' prior notice to the Agent in the case of LIBOR Loans, prepay (including, without limitation, all amounts payable pursuant to the terms of Section 2.17 hereof) the Notes in whole or in part with accrued interest to the date of such prepayment on the amount prepaid, PROVIDED that (1) each partial payment shall be in a principal amount of not less than One Million Dollars (\$1,000,000) in the case of a LIBOR Loan and Two Hundred Fifty Thousand Dollars (\$250,000) in the case of an ABR Loan; and (2) LIBOR Loans may be prepaid only on the last day of the Interest Period for such Loans; PROVIDED, HOWEVER, that such prepayment of LIBOR Loans may be made on any other Business Day if the Borrower pays at the time of such prepayment all amounts due pursuant to Section 2.17 hereof. Upon receipt of any such prepayments, the Agent will promptly thereafter cause to be distributed such prepayment to each Bank for the account of its applicable Lending Office pro rata to each Bank in the proportion that its Commitment bears to the Aggregate Commitments, except that prepayments of Swing Line Loans shall be made solely to the Swing Line Bank.

(b) The Borrower shall immediately upon a Change in Control prepay the Notes in full and all accrued interest to the date of such prepayment, and in the case of LIBOR Loans all amounts due pursuant to Section 2.17 hereof.

SECTION 2.12. METHOD OF PAYMENT. The Borrower shall make each payment under this Agreement and under the Notes not later than 11:00 A.M. Chicago time on the date when due in lawful money of the United States to the Agent for the account of the applicable Lending Office of each Bank (or, in the case of Swing Line Loans, for the account of the Swing Line Bank) in immediately available funds. The Agent will promptly thereafter cause to be distributed (1) such payments of principal and interest with respect to Loans (other than Swing Line Loans) in like funds to each Bank for the account of its applicable Lending Office pro rata to each Bank in the proportion that its Commitment bears to the Aggregate Commitments, (2) such payments of principal and interest with respect to Swing Line Loans solely to the Swing Line Bank and (3) other fees payable to any Bank to be applied in accordance with the terms of this Agreement. If any such payment is not received by a Bank on the Business Day on which the Agent received such payment (or the following Business Day if the Agent's receipt thereof occurs after 2:00 P.M. (Chicago time)), such Bank shall be entitled to receive from the Agent interest on such payment at the Federal Funds Rate for three Business Days and thereafter at the Alternate Base Rate (which interest payment shall not be an obligation for the Borrower's account, including under Section 11.04 or Section 11.06). The Borrower hereby authorizes each Bank, if and to the extent payment is not made when due under this Agreement or under the Notes, to charge from time to time against any account of the Borrower with such Bank any

amount as due. Whenever any payment to be made under this Agreement or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of the payment of interest and the commitment fee, as the case may be, except, in the case of a LIBOR Loan, if the result of such extension would be to extend such payment into another calendar month, such payment shall be made on the immediately preceding Business Day.

SECTION 2.13. USE OF PROCEEDS. The proceeds of the Loans hereunder shall be used by the Borrower for working capital and general corporate purposes of the Borrower and the Guarantors to the extent permitted in this Agreement and to repay Swing Line Loans. The Borrower will not, directly or indirectly, use any part of such proceeds for the purpose of repaying the Senior Notes or for purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X of such Board of Governors.

SECTION 2.14. YIELD PROTECTION. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or the compliance of any Bank therewith,

- (i) subjects any Bank or any applicable Lending Office to any tax, duty, charge or withholding on or from payments due from the Borrower (excluding federal taxation of the overall net income of any Bank or applicable Lending Office), or changes the basis of taxation of payments to any Bank in respect of its Loans or other amounts due it hereunder, or
- (ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank or any applicable Lending Office (other than reserves and assessments taken into account in determining the interest rate applicable to LIBOR Loans), or
- (iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Office of making, funding or maintaining loans or reduces any amount receivable by any Bank or any applicable Lending Office in connection with loans, or requires any Bank or any applicable Lending Office to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Bank,

then, within fifteen (15) days of demand by such Bank, the Borrower shall pay such Bank that portion of such increased expense incurred or reduction in an amount received which such Bank reasonably determines is attributable to making, funding and maintaining its Loans and its Commitment.

SECTION 2.15. CHANGES IN CAPITAL ADEQUACY REGULATIONS. If a Bank determines the amount of capital required or expected to be maintained by such Bank, any Lending Office of

such Bank or any corporation controlling such Bank is increased as a result of a Change, then, within 10 days of demand by such Bank, the Borrower shall pay such Bank the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Bank determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Bank's policies as to capital adequacy); PROVIDED, HOWEVER, that a Bank shall impose such cost upon the Borrower only if such Bank is generally imposing such cost on its other borrowers having similar credit arrangements. "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Bank or any Lending Office or any corporation controlling any Bank. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

SECTION 2.16. AVAILABILITY OF LIBOR LOANS. If any Bank determines that maintenance of its LIBOR Loans at the Lending Office selected by the Bank would violate any applicable law, rule, regulation, or directive, whether or not having the force of law (and it is not reasonably possible for the Bank to designate an alternate Lending Office without being adversely affected thereby), or if the Majority Banks determine that (i) deposits of a type and maturity appropriate to match fund LIBOR Loans are not available or (ii) the interest rate applicable to LIBOR Loans does not accurately reflect the cost of making or maintaining such LIBOR Loans, then the Agent shall suspend the availability of LIBOR Loans and require any LIBOR Loans to be repaid.

SECTION 2.17. FUNDING INDEMNIFICATION. If any payment of a LIBOR Loan occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a LIBOR Loan is not made on the date specified by the Borrower for any reason other than default by the Banks, the Borrower will indemnify each Bank for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits required to fund or maintain the LIBOR Loan.

SECTION 2.18. BANK STATEMENTS; SURVIVAL OF INDEMNITY. To the extent reasonably possible, each Bank shall designate an alternate Lending Office with respect to its LIBOR Loans to reduce any liability of the Borrower to such Bank under Sections 2.14 and 2.15 or to avoid the unavailability of LIBOR Loans. Each Bank shall deliver a written statement of such Bank as to the amount due, if any, under Sections 2.14, 2.15 or 2.17. Such written statement shall set forth in reasonable detail the calculations upon which such Bank determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a LIBOR Loan shall be calculated as though each Bank funded its LIBOR Loan through the

purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the LIBOR Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by the Borrower of the written statement. The obligations of the Borrower under Sections 2.14, 2.15 and 2.17 shall survive payment of the Obligations and termination of this Agreement.

SECTION 2.19. EXTENSION OF TERMINATION DATE. (a) The Borrower may request an extension of the Termination Date to February 28, 2004 (in the case of the first such extension) or to the first anniversary of the then scheduled Termination Date (in the case of each subsequent extension) by submitting a request for an extension to the Agent (i) in the case of the first such extension, on or after January 1, 2000 and on or before February 28, 2000, and (ii) in the case of each subsequent extension, not more than 38 months nor less than 36 months prior to the then scheduled Termination Date; PROVIDED that, in the case of each such request, the Borrower shall have theretofore furnished to the Agent the annual financial statements for the immediately preceding fiscal year provided for in Section 5.08(2). At the time of or prior to the delivery of such request, the Borrower shall propose to the Agent the amount of the fees that the Borrower would agree to pay with respect to such extension if approved by the Banks. Promptly upon (but not later than five Business Days after) the Agent's receipt and approval of the extension request and fee proposal (as so approved, the "Extension Request"), the Agent shall deliver to each Bank a copy of, and shall request each Bank to approve, the Extension Request. Each Bank approving the Extension Request shall deliver its written approval no later than 30 days after such Bank's receipt of the Extension Request. If the approval of each of the Banks is received by the Agent within 30 days of the receipt by them of the Extension Request (or as otherwise provided in Section 2.19(b)), the Agent shall promptly so notify the Borrower and each Bank in writing, and the Termination Date shall be extended to February 28, 2004 (in the case of the first such extension) or to the first anniversary of the then scheduled Termination Date (in the case of each subsequent extension), and in such event the Borrower may thereafter request, each time the Termination Date is so extended, a further extension of the then scheduled Termination Date in accordance with this Section 2.19. If any of the Banks does not deliver to the Agent such Bank's written approval to any Extension Request within such 30-day period, the Termination Date shall not be extended, except as otherwise provided in Section 2.19(b).

(b) If (i) any Bank (but not more than one Bank) ("Rejecting Bank") shall not approve an Extension Request, (ii) all rights and obligations (from and after the date of the assignment described below) of such Rejecting Bank under this Agreement and under the other Loan Documents (including, without limitation, its Commitment and all Loans owing to it) shall have been assigned, within 90 days following the Bank's receipt of such Extension Request, in accordance with Section 2.20, to one or more Replacement Banks who shall have approved in writing such Extension Request at the time of such assignment, or, to the extent not so assigned, such Rejecting Bank's Commitment shall have been terminated as provided in Section 2.19(c), and (iii) no other Bank shall have given written notice to the Agent of such Bank's withdrawal of its approval of the Extension Request, the Agent shall promptly so notify the Borrower and each Bank, and the Termination Date shall be extended to February 28, 2004 (in the

case of the first such extension) or to the first anniversary of the then scheduled Termination Date (in the case of each subsequent extension), and in such event the Borrower may thereafter request, each time the Termination Date is so extended, a further extension as provided in Section 2.19(a).

(c) Within ninety (90) days following the Banks' receipt of an Extension Request, the Borrower may, upon notice to the Agent and the Rejecting Bank, and subject to the provisions of the last sentence of this Section 2.19(c), terminate the Commitment of such Rejecting Bank (or such portion of the Commitment as is not assigned to a Replacement Bank in accordance with Section 2.20), which termination shall occur as of a date set forth in such Borrower's notice but in no event more than thirty (30) days following such notice (subject to the provisions of Section 2.20(b)). Upon the effective date of such termination, the Borrower shall pay to the Rejecting Bank all amounts due and owing to it hereunder or under any other Loan Document, including, without limitation, the aggregate outstanding principal amount of the Loans owed to such Rejecting Bank, together with accrued interest thereon through the date of such termination, amounts payable under Sections 2.14 and 2.15 with respect to such Rejecting Bank and the fees payable to such Rejecting Bank under Section 2.09(b). Upon request by the Borrower or the Agent, the Rejecting Bank will deliver to the Borrower and the Agent a letter setting forth the amounts payable to the Rejecting Bank as set forth above. Upon the termination of such Rejecting Bank's Commitment and payment of the amounts provided for in the immediately preceding sentence, the Borrower shall have no further obligations to such Rejecting Bank under this Agreement and such Rejecting Bank shall cease to be a party hereto, PROVIDED, HOWEVER, that such Rejecting Bank shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.17, 11.04 and 11.06, as well as to any fees accrued for its account hereunder not yet paid, and shall continue to be obligated under Section 10.05 with respect to obligations and liabilities accruing prior to the termination of such Rejecting Bank's Commitment. If, as a result of the termination of the Rejecting Bank's Commitment, any payment of a LIBOR Loan occurs on a day which is not the last day of the applicable Interest Period, the Borrower shall pay to the Agent for the benefit of the Banks any loss or cost incurred by the Banks resulting therefrom in accordance with Section 2.17. Upon the effective date of the termination of the Rejecting Bank's Commitment, the Aggregate Commitments shall be reduced by the amount of the terminated Commitment of the Rejecting Bank, and each other Bank shall be deemed to have irrevocably and unconditionally purchased and received (subject to the provisions of the last sentence of this Section 2.19(c), without recourse or warranty, from the Rejecting Bank, an undivided interest and participation in any Facility Letter of Credit then outstanding, ratably, such that each Bank (excluding the Rejecting Bank but including any Replacement Bank that acquires an interest hereunder from such Rejecting Bank) holds a participation interest in each Facility Letter of Credit in proportion to the ratio that such Bank's Commitment (upon the effective date of such termination of the Rejecting Bank's Commitment) bears to the Aggregate Commitments (as reduced by the termination of such Rejecting Bank's Commitment or a part thereof). Notwithstanding the foregoing, if, upon the termination of the Commitment of such Rejecting Bank, the sum of the outstanding principal balance of the Loans and the Facility Letter of Credit Obligations would exceed the Aggregate Commitments (as reduced), the Borrower may not terminate such Rejecting Bank's Commitment unless the Borrower, on or prior to the effective date of such termination, prepays, in accordance with the provisions of this Agreement, outstanding Loans or causes to be canceled, released and returned to the applicable Issuing Bank outstanding Facility Letters of Credit in sufficient amounts such that, on the effective date of such termination, the sum of the outstanding principal balance of the

Loans and the Facility Letter of Credit Obligations does not exceed the Aggregate Commitments (as reduced).

(d) Within ten days of the Agent's notice to the Borrower that all of the Banks have approved an Extension Request (whether pursuant to Section 2.19(a) or 2.19(b)), the Borrower shall pay to the Agent for the account of each Bank the applicable extension fees specified in the Extension Request.

SECTION 2.20. REPLACEMENT OF CERTAIN BANKS. (a) In the event a Bank ("Affected Bank"): (i) shall have requested compensation from the Borrower under Sections 2.14 or 2.15 to recover additional costs incurred by such Bank that are not being incurred generally by the other Banks, (ii) shall have delivered a notice pursuant to Section 2.16 claiming that such Bank is unable to extend LIBOR Loans to the Borrower for reasons not generally applicable to the other Banks, (iii) shall have invoked Section 11.13 or (iv) is a Rejecting Bank pursuant to Section 2.19, then, in any such case, the Borrower or the Agent may make written demand on such Affected Bank (with a copy to the Agent in the case of a demand by the Borrower and a copy to the Borrower in the case of a demand by the Agent) for the Affected Bank to assign, and, if a Replacement Bank (as hereinafter defined) notifies the Affected Bank of its willingness to purchase the Affected Bank's interest and the Agent and the Borrower consent thereto in writing, then such Affected Bank shall assign pursuant to one or more duly executed assignment and acceptance agreements in substantially and in all material respects in the form and substance of EXHIBIT I five (5) Business Days after the date of such demand, to one or more financial institutions that comply with the provisions of Section 12.03(a) that the Borrower or the Agent, as the case may be, shall have engaged for such purpose ("Replacement Bank"), all (or, to the extent permitted under Section 2.20(b), a part) of such Affected Bank's rights and obligations (from and after the date of such assignment) under this Agreement and the other Loan Documents (including, without limitation, its Commitment and all Loans owing to it) in accordance with Section 12.03. The Agent agrees, upon the occurrence of such events with respect to an Affected Bank and upon the written request of the Borrower, to use its reasonable efforts to obtain the commitments from one or more financial institutions to act as a Replacement Bank. As a condition to any such assignment, the Affected Bank shall have concurrently received, in cash, all amounts due and owing to the Affected Bank hereunder or under any other Loan Document, including, without limitation, the aggregate outstanding principal amount of the Loans owed to such Bank, together with accrued interest thereon through the date of such assignment, amounts payable under Sections 2.14 and 2.15 with respect to such Affected Bank and the fees payable to such Affected Bank under Section 2.09(b); PROVIDED that upon such Affected Bank's replacement, such Affected Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.17, 11.04 and 11.06, as well as to any fees accrued for its account hereunder and not yet paid, and shall continue to be obligated under Section 10.05 with respect to obligations and liabilities accruing prior to the replacement of such Affected Bank.

(b) In the event that the Affected Bank is a Rejecting Bank, the Borrower may elect to have a part of the Rejecting Bank's rights and obligations under this Agreement and the other Loan Documents assigned pursuant to this Section 2.20, PROVIDED that the Borrower also elects, pursuant to Section 2.19(c), to terminate the entire amount of the Rejecting Bank's

Commitment not so assigned, which termination shall be effective on the date on which such assignment of the Rejecting Bank's rights and obligations is consummated under this Section 2.20.

SECTION 2.21. SWING LINE. (a) The Swing Line Bank agrees, on the terms and conditions hereinafter set forth, to make loans ("Swing Line Loans") to the Borrower from time to time during the period from the date of this Agreement, up to but not including the Termination Date, in an aggregate principal amount not to exceed at any time outstanding the lesser of (i) the Swing Line Commitment or (ii) the amount by which the Swing Line Bank's Commitment under Section 2.01 exceeds the outstanding principal amount of the Loans made by the Swing Line Bank pursuant to Section 2.01, subject to the limitations set forth in Section 2.01(b).

(b) Each Swing Line Loan which shall not utilize the Swing Line Commitment in full shall be in an amount not less than One Million Dollars (\$1,000,000) and, if in excess thereof, in integral multiples of One Million Dollars (\$1,000,000). Within the limits of the Swing Line Commitment, the Borrower may borrow, repay and reborrow under this Section 2.21.

(c) The Borrower shall give the Swing Line Bank notice of any request for a Swing Line Loan not later than 2:00 p.m. Chicago time on the Business Day of such Swing Line Loan, specifying the amount of such requested Swing Line Loan. Each such notice shall be accompanied by a Borrowing Base Certificate dated as of the date of such notice (and by the notice provided for in Section 2.21(d)). All notices given by the Borrower under this Section 2.21(c) shall be irrevocable. Upon fulfillment of the applicable conditions set forth in Article III, the Swing Line Bank will make the Swing Line Loan available to the Borrower in immediately available funds by crediting the amount thereof to the Borrower's account with the Swing Line Bank.

(d) On the first Business Day following the making of a Swing Line Loan, such Swing Line Loan shall be paid in full from the proceeds of a Loan made pursuant to Section 2.01. Each notice given by the Borrower under Section 2.21(c) shall include, or, if it does not include, shall be deemed to include an irrevocable notice under Section 2.03 requesting the Banks to make an ABR Loan on the next succeeding Business Day in the full amount of such Swing Line Loan.

SECTION 2.22 AMOUNTS PAYABLE UNDER ORIGINAL AGREEMENT. (a) On the Effective Date, each Bank ("Funding Bank") that is not party to the Original Agreement shall make a payment to the Agent in an amount sufficient, upon the application of such payments by all such Funding Banks to the reduction of the outstanding Advances held by the Banks that are not Funding Banks, to cause the principal amount outstanding under the Loans by all Banks hereunder as at the Effective Date to be in proportion to the ratio that such Bank's Commitment (upon the Effective Date) bears to the Aggregate Commitments. The Borrower hereby irrevocably authorizes each Funding Bank to fund to the Agent the payment required to be made pursuant to the immediately preceding sentence for application to the payment in full of the Loans held by "Banks" that are party to the Original Agreement but not party to this Agreement

and to reduction of the outstanding Loans held by the Banks that are not Funding Banks, and each such payment shall constitute a Loan hereunder, provided that such Loans shall not increase the aggregate amount of all Loans outstanding hereunder on the Effective Date to an amount exceeding the aggregate amount outstanding under the Original Agreement immediately prior thereto. If, as a result of the repayment of the Loans provided for in this Section 2.22(a), any payment of a Borrowing consisting of LIBOR Loans occurs on a day which is not the last day of the applicable Interest Period under the Original Agreement, the Borrower will pay to the Agent for the benefit of the Banks that were party to the Original Agreement any loss or cost incurred by such Bank resulting therefrom in accordance with Section 2.17 of the Original Agreement. Upon the Effective Date, all Loans outstanding hereunder (including any Loans made by the Banks on such date) shall be ABR Loans, subject to the Borrower's right to convert the same to LIBOR Loans on or after such date in accordance with the provisions of Section 2.06.

(b) Borrower hereby agrees to pay to the Agent, for the benefit of the Banks that were party to the Original Agreement, the amount of all interest (if any) that has accrued but not been paid under the Original Agreement through the Effective Date, all commitment fees that have accrued but not been paid under the Original Agreement through the Effective Date and all "Facility Letter of Credit Fees" that have accrued but not been paid under the Original Agreement through the Effective Date, all of which amounts shall be paid by the Borrower on the date or dates on which such amounts would have been due and payable under the terms of the Original Agreement.

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.01. CONDITIONS PRECEDENT TO EFFECTIVE DATE. The Effective Date of this Agreement shall not occur, and the Banks and the Issuing Bank or Issuing Banks shall not be required to perform any of their obligations hereunder, unless and until the Borrower has paid to the Agent the applicable fees referred to in Sections 2.09(a) and (c) and the Agent shall have received each of the following, in form and substance satisfactory to the Agent and its counsel and (except for the Notes) in sufficient copies for each Bank:

(1) NOTES. A Note payable to each Bank not a party to the Original Agreement duly executed by the Borrower;

(2) EVIDENCE OF ALL CORPORATE ACTION BY THE BORROWER. Certified copies of all corporate action taken by the Borrower, including resolutions of its Board of Directors, authorizing the execution, delivery and performance of the Loan Documents to which it is a party and each other document to be delivered pursuant to this Agreement;

(3) INCUMBENCY AND SIGNATURE CERTIFICATE OF BORROWER. A certificate of the Secretary or Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the Loan Documents to which it is a party and the other documents to be delivered by the Borrower under this Agreement;

(4) ARTICLES OF INCORPORATION OF BORROWER. Copies of the articles of incorporation of the Borrower, together with all amendments, and a certificate of good standing, all certified by the appropriate governmental officer in its jurisdiction of incorporation;

(5) OPINIONS OF COUNSEL FOR BORROWER. A favorable opinion of Paul, Hastings, Janofsky & Walker LLP, counsel for the Borrower and for the Guarantors that are Delaware Persons, in substantially the form of EXHIBIT C and as to such other matters as the Agent may reasonably request and of the Borrower's Illinois counsel (as approved by the Agent), in substantially the form of EXHIBIT D and as to such other matters as the Agent may reasonably request;

(6) OPINION OF COUNSEL FOR AGENT. A favorable opinion of Sidley & Austin, counsel for the Agent, in substantially the form of EXHIBIT E hereto;

(7) EVIDENCE OF ALL CORPORATE OR PARTNERSHIP ACTION BY GUARANTORS. With respect to each corporate Guarantor, certified (as of the date of this Agreement) copies of all corporate action taken by such Guarantor, including resolutions of its Board of Directors, authorizing the execution, delivery, and performance of the applicable Guaranty, and with respect to each limited partnership Guarantor, partnership action taken by such Guarantor, including any and all necessary partnership consents authorizing the execution, delivery, and performance of the applicable Guaranty;

(8) ARTICLES OF INCORPORATION OF GUARANTORS. Copies of the articles of incorporation of each corporate Guarantor, together with all amendments, and a certificate of good standing, all certified by the appropriate governmental officer in its jurisdiction of incorporation; PROVIDED, HOWEVER, that, if a certificate of good standing is not currently available, the Guarantor shall deliver other reasonably satisfactory evidence of its good standing and, within thirty (30) days, shall deliver a certificate of good standing;

(9) INCUMBENCY AND SIGNATURE CERTIFICATE OF GUARANTORS. A certificate (dated as of the date of this Agreement) of the Secretary or Assistant Secretary of each corporate Guarantor or the general partner of each partnership Guarantor certifying the names and true signatures of the officers of each such corporate Guarantor and the representative of each partnership Guarantor authorized to sign the Guaranty;

(10) OPINION OF COUNSEL FOR CERTAIN GUARANTORS. With respect to Beazer Homes Corp., a favorable opinion of Tennessee counsel in substantially the form of EXHIBIT F hereto, and as to such other matters as the Agent may reasonably request;

(11) PARTNERSHIP AGREEMENT. A true and complete copy of the limited partnership agreement of each limited partnership Guarantor, including without limitation, any and all amendments and modifications thereto, and any and all filed partnership certificates; and

(12) OTHER DOCUMENTS. Such other and further documents as any Bank or its counsel may have reasonably requested.

Notwithstanding the foregoing, the parties hereto acknowledge and agree that the Agent, at its election, may (a) waive, with respect to the Original Guarantors, the requirement for delivery of articles of incorporation (under item (8) above) and the partnership agreement and partnership certificates (under item (ii) above) provided and with respect to the Original Guarantors to the extent that the Borrower delivers or causes the applicable Original Guarantors to deliver to the Agent a certificate that such documents, as delivered pursuant to the Original Agreement, have not been modified or amended and remain in full force and effect, and (b) waive the requirement for the opinion provided for in item (10) above.

Upon the Effective Date, the Original Agreement shall be amended and restated in its entirety by this Agreement, which shall supersede the Original Agreement.

SECTION 3.02. CONDITIONS PRECEDENT TO ALL LOANS. The obligation of each Bank to make each Loan (including the Loans referred to in Section 2.22 and, in the case of the Swing Line Bank, any Swing Line Loan) shall be subject to the further conditions precedent that (except as hereinafter provided) on the date of such Loan:

- (1) The following statements shall be true and the Agent shall have received a certificate, substantially in the form of the certificate attached hereto as EXHIBIT G, signed by a duly authorized officer of the Borrower dated the date of such Loan, stating that:
 - (a) The representations and warranties contained in Article IV of this Agreement, are correct on and as of the date of such Loan as though made on and as of such date except to the extent that any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty is correct as of such earlier date;
 - (b) No Default or Event of Default has occurred and is continuing, or would result from such Loan; and
 - (c) Upon the making of the requested Loans, the aggregate outstanding amount of Permitted Senior Debt shall not exceed the Borrowing Base as of the most recent Inventory Valuation Date; and
- (2) The Agent shall have received such other approvals, opinions, or documents as any Bank through the Agent may reasonably request; and
- (3) Such other and further documents as any Bank or its counsel may have reasonably requested. All matters incident to the making of such Loan shall be reasonably satisfactory to the Banks and their counsel.

Notwithstanding the foregoing, in the case of a Loan (provided for in Section 2.21(d)) made to repay a Swing Line Loan, the satisfaction of the foregoing conditions with respect to such Swing Line Loan shall constitute satisfaction of such conditions with respect to the Loan made on the next succeeding Business Day to repay such Swing Line Loan.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower and each of the Guarantors, jointly and severally, represent and warrant that:

SECTION 4.01. INCORPORATION, FORMATION, GOOD STANDING, AND DUE QUALIFICATION. The Borrower, each Subsidiary, and each of the Guarantors is (in the case of a corporation) a corporation duly incorporated or (in the case of a limited partnership) a limited partnership duly formed, validly existing, and in good standing under the laws of the jurisdiction of its incorporation or formation; has the power and authority to own its assets and to transact the business in which it is now engaged or proposed to be engaged in; and is duly qualified and in good standing under the laws of each other jurisdiction in which such qualification is required.

SECTION 4.02. POWER AND AUTHORITY. The execution, delivery and performance by the Borrower and the Guarantors of the Loan Documents to which each is a party have been duly authorized by all necessary corporate or partnership action, as the case may be, and do not and will not (1) require any consent or approval of the stockholders of such corporation, or partners of such partnership; (2) contravene such corporation's charter or bylaws, or such partnership's partnership agreement; (3) violate, in any material respect, any provision of any law, rule, regulation (including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination, or award presently in effect having applicability to such corporation or partnership; (4) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease, or instrument to which such corporation or partnership is a party or by which it or its properties may be bound or affected; (5) result in, or require, the creation or imposition of any Lien, upon or with respect to any of the properties now owned or hereafter acquired by such corporation or partnership; and (6) cause such corporation or partnership to be in default, in any material respect, under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award or any such indenture, agreement, lease or instrument.

SECTION 4.03. LEGALLY ENFORCEABLE AGREEMENT. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be legal, valid, and binding obligations of the Borrower or each Guarantor, as the case may be, enforceable against the Borrower or each Guarantor, as the case may be, in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally.

SECTION 4.04. FINANCIAL STATEMENTS. The consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 1998, and the consolidated statements of operations, cash flow and changes to stockholders' equity of the Borrower and its Subsidiaries for the period of three fiscal quarters ended June 30, 1998, are complete and correct and fairly present as at such date the financial condition of the Borrower and its Subsidiaries and the results of their

operations for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to year-end adjustments), and since June 30, 1998, there has been no material adverse change in the condition (financial or otherwise), business, or operations of the entities for which combined financial statements have been furnished to the Banks. There are no liabilities of the Borrower or any Subsidiary, fixed or contingent, which are material but are not reflected in the financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business since June 30, 1998. No information, exhibit, or report furnished by the Borrower to any Bank in connection with the negotiation of this Agreement taken together, contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

SECTION 4.05. LABOR DISPUTES AND ACTS OF GOD. Neither the business nor the properties of the Borrower or any Subsidiary or any Guarantor are affected by any fire, explosion, accident, strike, lockout, or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by insurance), materially and adversely affecting such business or properties or the operation of the Borrower or such Subsidiary or such Guarantor.

SECTION 4.06. OTHER AGREEMENTS. Neither the Borrower nor any Significant Subsidiary nor any Significant Guarantor is a party to any indenture, loan, or credit agreement, or to any lease or other agreement or instrument or subject to any charter, corporate or other restriction which could have a material adverse effect on the business, properties, assets, operations, or conditions, financial or otherwise, of the Borrower or any Significant Subsidiary or any Significant Guarantor, or the ability of the Borrower or any Significant Guarantor to carry out its obligations under the Loan Documents to which it is a party. Neither the Borrower nor any Significant Subsidiary nor any Significant Guarantor is in default in any material respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to its business to which it is a party.

SECTION 4.07. LITIGATION. There is no pending or, to the knowledge of the Borrower or any Guarantor, threatened action or proceeding against or affecting the Borrower or any Significant Subsidiary or any Significant Guarantor before any court, governmental agency, or arbitrator, which may, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties, or business of the Borrower or any Significant Subsidiary or any Significant Guarantor or the ability of the Borrower or any Significant Guarantor to perform its obligation under the Loan Documents to which it is a party.

SECTION 4.08. NO DEFAULTS ON OUTSTANDING JUDGMENTS OR ORDERS. The Borrower, each Significant Subsidiary and each Significant Guarantor have satisfied all judgments, and neither the Borrower nor any Significant Subsidiary nor any Significant Guarantor is in default with respect to any judgment, writ, injunction, decree, rule, or regulation of any court, arbitrator, or federal, state, municipal, or other governmental authority, commission, board, bureau, agency, or instrumentality, domestic or foreign.

SECTION 4.09. OWNERSHIP AND LIENS. The Borrower and each Subsidiary and each Guarantor have title to, or valid leasehold interests in, all of their respective properties and

assets, real and personal, including the properties and assets and leasehold interests reflected in the financial statements referred to in Section 4.04 (other than any properties or assets disposed of in the ordinary course of business), and none of the properties and assets owned by the Borrower or any Subsidiary or any Guarantor and none of their leasehold interests is subject to any Lien, except such as may be permitted pursuant to Section 6.01 of this Agreement.

SECTION 4.10. SUBSIDIARIES AND OWNERSHIP OF STOCK. Set forth in EXHIBIT H hereto is a complete and accurate list of the Subsidiaries of the Borrower, showing the jurisdiction of incorporation or formation of each and showing the percentage of the Borrower's ownership of the outstanding stock or partnership interest of each Subsidiary. All of the outstanding capital stock of each such corporate Subsidiary has been validly issued, is fully paid and nonassessable, and is owned by the Borrower free and clear of all Liens. The limited partnership agreement of each such limited partnership Subsidiary is in full force and effect and has not been amended or modified. Each of the Guarantors is a Wholly Owned Subsidiary of the Borrower.

SECTION 4.11. ERISA. The Borrower and each Subsidiary and each Guarantor are in compliance in all material respects with all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; no notice of intent to terminate a Plan has been filed, nor has any Plan been terminated; no circumstances exist which constitute grounds entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; neither the Borrower nor any Commonly Controlled Entity has completely or partially withdrawn from a Multiemployer Plan under circumstances that could subject the Borrower or any Subsidiary to material withdrawal liability; the Borrower and each Commonly Controlled Entity have met their minimum funding requirements under ERISA with respect to all of their Plans and the present value of all vested benefits under each Plan does not materially exceed the fair market value of all Plan assets allocable to such benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA; and neither the Borrower nor any Commonly Controlled Entity has incurred any material liability to the PBGC under ERISA.

SECTION 4.12. OPERATION OF BUSINESS. The Borrower, each Subsidiary and each Guarantor possess all licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct their respective businesses substantially as now conducted and as presently proposed to be conducted and the Borrower and each of its Subsidiaries and each Guarantor are not in violation of any valid rights of others with respect to any of the foregoing.

SECTION 4.13. TAXES. All income tax liabilities or income tax obligations of the Borrower, each Subsidiary and each Guarantor have been paid or have been accrued by or reserved for by the Borrower. The Borrower constitutes the parent of an affiliated group of corporations for purposes of filing a consolidated United States federal income tax return.

SECTION 4.14. LAWS; ENVIRONMENT. The Borrower, each Subsidiary and each Guarantor have duly complied, and their businesses, operations, assets, equipment, property,

leaseholds, or other facilities are in compliance, in all material respects, with the provisions of all federal, state, and local statutes, laws, codes, and ordinances and all rules and regulations promulgated thereunder (including without limitation those relating to the environment, health and safety). The Borrower, each Subsidiary and each Guarantor have been issued and will maintain all required federal, state, and local permits, licenses, certificates, and approvals relating to (1) air emissions; (2) discharges to surface water or groundwater; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or hazardous wastes (intended hereby and hereafter to include any and all such materials listed in any federal, state, or local law, code, or ordinance and all rules and regulations promulgated thereunder as hazardous); or (6) other environmental, health or safety matters. Neither the Borrower nor any Subsidiary nor any Guarantor has received notice of, or has actual knowledge of any violations of any federal, state, or local environmental, health, or safety laws, codes or ordinances or any rules or regulations promulgated thereunder with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities. Except in accordance with a valid governmental permit, license, certificate or approval, there has been no material emission, spill, release, or discharge into or upon (1) the air; (2) soils, or any improvements located thereon; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any toxic or hazardous substances or hazardous wastes at or from the premises; and accordingly the premises of the Borrower, each Subsidiary and each Guarantor have not been adversely affected, in any material respect, by any toxic or hazardous substances or wastes. There has been no complaint, order, directive, claim, citation, or notice by any governmental authority or any person or entity with respect to violations of law or damages by reason of Borrower's or any Subsidiary's (1) air emissions; (2) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the premises; (3) noise emissions; (4) solid or liquid waste disposal; (5) use, generation, storage, transportation, or disposal of toxic or hazardous substances or hazardous waste; or (6) other environmental, health or safety matters affecting the Borrower, any Subsidiary or any Guarantor or its business, operations, assets, equipment, property, leaseholds, or other facilities. Neither the Borrower nor any Subsidiary nor any Guarantor has any material indebtedness, obligation, or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup, or disposal of any solid wastes, hazardous wastes, or other toxic or hazardous substances (including without limitation any such indebtedness, obligation, or liability with respect to any current regulation, law, or statute regarding such storage, treatment, cleanup, or disposal).

SECTION 4.15. INVESTMENT COMPANY ACT. Neither the Borrower nor any Subsidiary thereof is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.16. PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Borrower nor any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 4.17. YEAR 2000. As of the date hereof, the Borrower has made a full and complete assessment of the Year 2000 Issues and has a realistic and achievable program for remediating the Year 2000 Issues on a timely basis. Based on such assessment and program, the Borrower does not reasonably anticipate that the Year 2000 Issues will have a material adverse effect on its operations, business or financial condition.

ARTICLE V

AFFIRMATIVE COVENANTS

So long as any Note shall remain unpaid or any Bank shall have any Commitment under this Agreement, the Borrower and each Guarantor will:

SECTION 5.01. MAINTENANCE OF EXISTENCE. Preserve and maintain, and cause each Subsidiary to preserve and maintain (except for a Subsidiary that ceases to maintain its existence solely as a result of an Internal Reorganization), its corporate or limited partnership existence and good standing in the jurisdiction of its incorporation or formation and qualify and remain qualified to transact business in each jurisdiction in which such qualification is required.

SECTION 5.02. MAINTENANCE OF RECORDS. Keep and cause each Subsidiary to keep, adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrower and its Subsidiaries.

SECTION 5.03. MAINTENANCE OF PROPERTIES. Maintain, keep, and preserve, and cause each Subsidiary to maintain, keep, and preserve, all of its properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted.

SECTION 5.04. CONDUCT OF BUSINESS. Continue, and cause each Subsidiary to continue (except in the case of a Subsidiary that ceases to engage in business solely as a result of an Internal Reorganization), to engage in a business of the same general type and in the same manner as conducted by it on the date of this Agreement.

SECTION 5.05. MAINTENANCE OF INSURANCE. Maintain, and cause each Subsidiary to maintain, insurance with financially sound reputable insurance companies or associations (or, in the case of insurance for construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Subsidiaries, UHIC) in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

SECTION 5.06. COMPLIANCE WITH LAWS. Comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, rules, regulations, and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property, other than any such

taxes, assessments and charges being contested by the Borrower in good faith which will not have a material adverse effect on the financial condition of the Borrower.

SECTION 5.07. RIGHT OF INSPECTION. At any reasonable time and from time to time, permit any Bank or any agent or representative thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any Subsidiary, and to discuss the affairs, finances, and accounts of the Borrower and any Subsidiary with any of their respective officers and directors and the Borrower's independent accountants.

SECTION 5.08. REPORTING REQUIREMENTS. Furnish to the Agent for delivery to each of the Banks:

(1) QUARTERLY FINANCIAL STATEMENTS. As soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of the Borrower, an unaudited condensed consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter, unaudited condensed consolidated statements of operations and cash flow of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, and unaudited condensed consolidated statements of changes in stockholders' equity of the Borrower and its Subsidiaries for the portion of the fiscal year ended with the last day of such quarter, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP consistently applied and certified by the chief financial officer of the Borrower (subject to year-end adjustments); statements in the form of the Borrower's quarterly 10-Q report to the Securities and Exchange Commission that are consistent with the foregoing requirements shall satisfy such requirements;

(2) ANNUAL FINANCIAL STATEMENTS. As soon as available and in any event within one hundred (100) days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year, consolidated statements of operations and cash flow of the Borrower and its Subsidiaries for such fiscal year, and consolidated statements of changes in stockholders' equity of the Borrower and its Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP consistently applied and accompanied by an opinion thereon acceptable to the Agent by Ernst & Young or other independent accountants selected by the Borrower and acceptable to the Agent; statements in the form of the Borrower's annual 10-K report to the Securities and Exchange Commission that are consistent with the foregoing requirements shall satisfy such requirements;

(3) FINANCIAL PROJECTIONS. On August 15, 1999 and each anniversary thereof, two-year financial projections (including a consolidated income statement, balance sheet and statement of cash flows for the Borrower and its Subsidiaries) broken down by quarters, and as soon as available (but not later than June 15 of each year), a mid-year update of the financial projections for the current year;

(4) VARIANCE ANALYSIS. (a) Within sixty (60) days of the end of each of the first three fiscal quarters of each fiscal year of the Borrower, a quarterly variance analysis comparing actual quarterly results versus the most recently projected quarterly results for the fiscal quarter most recently ended (including consolidated income statements of the Borrower and its Subsidiaries, an analysis of revenues, closings and operating profits of the Borrower and each Subsidiary on a state by state basis, and such other items as are requested by any of the Banks), together with a written explanation of material variances.

(b) Within one hundred (100) days after the end of each fiscal year of the Borrower, a quarterly variance analysis comparing actual quarterly results versus the most recently projected quarterly results for the fiscal year most recently ended (including consolidated income statements of the Borrower and its Subsidiaries accompanied by an opinion thereon acceptable to the Agent by Ernst & Young or other independent accountants selected by the Borrower and acceptable to the Agent, an analysis of revenues, closings and operating profits of the Borrower and each Subsidiary on a state by state basis, and such other items as are requested by any of the Banks), together with a written explanation of material variances.

(5) MANAGEMENT LETTERS. Promptly upon receipt thereof, copies of any reports submitted to the Borrower or any Subsidiary by independent certified public accountants in connection with examination of the financial statements of the Borrower or any Subsidiary made by such accountants.

(6) BORROWING BASE CERTIFICATE. Within thirty-five (35) days after the end of each fiscal quarter, a Borrowing Base Certificate, with respect to the Inventory Valuation Date occurring on the last day of such fiscal quarter.

(7) COMPLIANCE CERTIFICATE. Within sixty (60) days after the end of each of the first three quarters, and within one hundred (100) days after the end of each fourth quarter, of each fiscal year of the Borrower, a certificate of the President or chief financial officer of the Borrower certifying (a) the Borrower's compliance with all financial covenants including, without limitation, those set forth in Sections 6.10 and 6.11 and Article VII hereof, which certificate shall set forth in reasonable detail the computation thereof and (b) certifying that to the best of his knowledge no Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto;

(8) PRODUCTION MONITOR SUMMARY. Within thirty (30) days after the end of each fiscal quarter, a certificate of the President or Chief Operating Officer of the Borrower certifying the Inventory as at such date which lists by state of location each item of Inventory, in the following categories: (a) pre-foundation, (b) foundation, (c) framed, (d) being finished, and (e) model homes; such summary shall include a delineation of sold or unsold items in each category;

(9) LAND BANK INVENTORY. Within sixty (60) days after the end of each calendar quarter, a certificate of the President or Chief Operating Officer of the Borrower certifying the

Land as at such date, which lists by state of location all Land, delineating Finished Lots, Lots under Development, Entitled Land and estimated undeveloped Lots.

(10) ACCOUNTANT'S REPORT. Simultaneously with the delivery of the annual financial statements referred to in Section 5.08(2), a certificate of the independent public accountants who audited such statements to the effect that, in making the examination necessary for the audit of such statements, they have obtained no knowledge of any condition or event which constitutes a Default or Event of Default, or if such accountants shall have obtained knowledge of any such condition or event, specifying in such certificate each such condition or event of which they have knowledge and the nature and status thereof;

(11) NOTICE OF LITIGATION. Promptly after the commencement thereof, notice of all actions, suits, and proceedings before any court or governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, affecting the Borrower or any Subsidiary which, if determined adversely to the Borrower or such Subsidiary, would reasonably be expected to result in a judgment against the Borrower or such Subsidiary in excess of \$1,000,000 or would reasonably be expected to have a material adverse effect on the financial condition, properties, or operations of the Borrower or such Subsidiary;

(12) NOTICE OF DEFAULTS AND EVENTS OF DEFAULT. As soon as possible and in any event within ten (10) days after the occurrence of each Default or Event of Default, a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by the Borrower with respect thereto;

(13) ERISA REPORTS. As soon as possible, and in any event within thirty (30) days after the Borrower knows or has reason to know that any circumstances exist that constitute grounds entitling the PBGC to institute proceedings to terminate a Plan subject to ERISA with respect to the Borrower or any Commonly Controlled Entity, and promptly but in any event within two (2) Business Days of receipt by the Borrower or any Commonly Controlled Entity of notice that the PBGC intends to terminate a Plan or appoint a trustee to administer the same, and promptly but in any event within five (5) Business Days of the receipt of notice concerning the imposition of withdrawal liability in excess of \$50,000 with respect to the Borrower or any Commonly Controlled Entity, the Borrower will deliver to each Bank a certificate of the chief financial officer of the Borrower setting forth all relevant details and the action which the Borrower proposes to take with respect thereto;

(14) REPORTS TO OTHER CREDITORS. Promptly after the furnishing thereof, copies of any statement, report, document, notice, certificate, and correspondence furnished to any other party pursuant to the terms of any indenture, loan, credit, or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 5.08;

(15) PROXY STATEMENTS, ETC. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements, and reports which the Borrower or any Subsidiary sends to its stockholders, and copies of all regular, periodic, and special reports, and all registration statements which the Borrower or any Subsidiary files with the Securities and

Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange; and

(16) GENERAL INFORMATION. Such other information respecting the condition or operations, financial or otherwise, of the Borrower or any Subsidiary as any Bank may from time to time reasonably request.

SECTION 5.09. SUBSIDIARY REPORTING REQUIREMENTS. In the event any of the following statements are prepared with respect to any Subsidiary, then upon written request from any Bank, furnish to the Agent for delivery to each of the Banks the following with respect to any Subsidiary:

(1) QUARTERLY FINANCIAL STATEMENTS. An unaudited balance sheet of such Subsidiary as of the end of most recently completed fiscal quarter, statements of operations and cash flow of such Subsidiary for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, and statements of changes in stockholders' equity of such Subsidiary for the portion of the fiscal year ended with the last day of such quarter, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP consistently applied and certified by the chief financial officer of such Subsidiary (subject to year-end adjustments);

(2) ANNUAL FINANCIAL STATEMENTS. A balance sheet of such Subsidiary as of the end of such fiscal year, statements of operations and cash flow of such Subsidiary for such fiscal year, and statements of changes in stockholders' equity of such Subsidiary for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP consistently applied and as to the consolidated statements accompanied by an opinion thereon acceptable to the Agent by Ernst & Young or other independent accountants selected by the Borrower and acceptable to the Agent.

SECTION 5.10. ENVIRONMENT. Be and remain, and cause each Subsidiary to be and remain, in compliance with the provisions of all federal, state, and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations issued thereunder; notify the Agent promptly of any notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party (and the Agent shall notify the Banks promptly following its receipt of any such notice from the Borrower); notify the Agent promptly of any hazardous discharge from or affecting its premises (and the Agent shall notify the Banks promptly following its receipt of any such notice from the Borrower); promptly contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith; permit any Bank to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at such Bank's request, and at the Borrower's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to the Majority Banks, and such other and further assurances reasonably satisfactory to the Majority Banks that the condition has been corrected.

SECTION 5.11. USE OF PROCEEDS. Use the proceeds of the Loans solely as provided in Section 2.13 hereof.

SECTION 5.12. RANKING OF OBLIGATIONS. Ensure that at all times its Obligations under the Loan Documents shall be and constitute unconditional general obligations of the Borrower ranking at least PARI PASSU with all its other unsecured Debt.

SECTION 5.13. TAXES. Pay and cause each Subsidiary to pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

SECTION 5.14. WHOLLY OWNED STATUS. Ensure that at all times each of the Guarantors is a Wholly Owned Subsidiary of the Borrower.

SECTION 5.15. NEW SUBSIDIARIES. Within thirty (30) days after the date on which any Person shall become a Subsidiary, cause such Subsidiary to execute and deliver to the Agent, for the benefit of the Banks, a guaranty of the Obligations in the form of Article IX and an opinion of counsel, certified copies of resolutions, articles of incorporation, incumbency certificates and other documents with respect to such Subsidiary and its guaranty substantially similar to the documents delivered pursuant to Section 3.01 with respect to the New Guarantors and Guaranty, all of which shall be reasonably satisfactory to the Majority Banks in form and substance. Neither STIC nor UHIC shall be required to deliver a Guaranty.

SECTION 5.16. YEAR 2000. The Borrower will take all actions reasonably necessary to assure that the Year 2000 Issues will not have a material adverse effect on the business, operations or financial condition of the Borrower and, upon the Agent's request, will provide the Agent a description of its program to address the Year 2000 Issues, including updates and progress reports. The Borrower will promptly advise the Agent of any reasonably anticipated material adverse effect as a result of the Year 2000 Issues.

ARTICLE VI

NEGATIVE COVENANTS

So long as any Note shall remain unpaid or any Bank shall have any Commitment under this Agreement, the Borrower and each Guarantor will not:

SECTION 6.01. LIENS. Create, incur, assume, or suffer to exist, or permit any Subsidiary to create, incur, assume, or suffer to exist, any Lien, upon or with respect to any of its properties, now owned or hereafter acquired, except the following:

(1) Liens for taxes or assessments or other government charges or levies if not yet due and payable or, if due and payable, if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(2) Liens imposed by law, such as mechanics', materialmen's, landlords', warehousemen's, and carriers' Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than ninety (90) days or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

(3) Liens under workers' compensation, unemployment insurance, Social Security, or similar legislation;

(4) Liens, deposits, or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), Capital Leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance, or other similar bonds, or other similar obligations arising in the ordinary course of business;

(5) Judgment and other similar Liens arising in connection with any court proceeding, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(6) Easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment by the Borrower or any Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto;

(7) Liens securing Secured Debt permitted under Section 6.02.

SECTION 6.02. SECURED DEBT. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Secured Debt, except for Secured Debt in an aggregate amount outstanding at any one time not exceeding \$50,000,000.

SECTION 6.03. MERGERS, ETC. Wind up, liquidate or dissolve itself, reorganize, merge or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or acquire all or substantially all the assets or the business of any Person, or permit any Subsidiary to do so, except (1) for any Permitted Acquisition, (2) that any Subsidiary (other than STIC and UHIC) may merge into or transfer assets to the Borrower as a result of an Internal Reorganization or otherwise and (3) that any Subsidiary (other than STIC and UHIC) may merge into or consolidate with or transfer assets to any other Subsidiary (other than STIC and UHIC) as a result of an Internal Reorganization or otherwise.

SECTION 6.04. LEASES. Create, incur, assume, or suffer to exist, or permit any Subsidiary to create, incur, assume, or suffer to exist, any obligation as lessee for the rental or hire of any real or personal property, except (1) Capital Leases not otherwise prohibited by the terms of this Agreement; (2) leases existing on the date of this Agreement and any extension or

renewals thereof; (3) leases between the Borrower and any Subsidiary or between any Subsidiaries; (4) operating leases entered into in the ordinary course of business; and (5) any lease of property having a value of \$500,000 or less.

SECTION 6.05. SALE AND LEASEBACK. Sell, transfer or otherwise dispose of, or permit any Subsidiary to sell, transfer, or otherwise dispose of, any real or personal property to any Person and thereafter directly or indirectly lease back the same or similar property, except for the sale and leaseback of model homes.

SECTION 6.06. SALE OF ASSETS. Sell, lease, assign, transfer, or otherwise dispose of, or permit any Subsidiary to sell, lease, assign, transfer, or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of subsidiaries, receivables, and leasehold interests), except: (1) Inventory disposed of in the ordinary course of business; (2) the sale or other disposition of assets no longer used or useful in the conduct of its business; (3) the sale and leaseback of model homes, or (4) that any Subsidiary (other than STIC and UHIC) may sell, lease, assign, or otherwise transfer its assets to the Borrower or any Wholly Owned Subsidiary (other than STIC and UHIC) in connection with an Internal Reorganization or otherwise.

SECTION 6.07. INVESTMENTS. Make, or permit any Subsidiary to make, any loan or advance to any Person, or purchase or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, any capital stock, assets (other than assets acquired in the ordinary course of business), obligation, or other securities of, make any capital contribution to, or otherwise invest in or acquire any interest in any Person including, without limitation, any hostile takeover, hostile tender offer or similar hostile transaction (collectively, "Investments"), except: (1) a direct obligation of the United States or any agency thereof with maturities of one year or less from the date of acquisition; (2) commercial paper rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.; (3) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank or federal savings bank having capital and surplus in excess of \$250,000,000; (4) a direct obligation of any state or municipality within the United States with maturities of one year or less from the date of acquisition and which, at the time of such acquisition, is accorded one of the two highest debt ratings for obligations of such type by Standard & Poor's or Moody's; (5) mutual funds investing in assets of the type described in items (1), (2), (3) or (4) above which in any case would be classified as a current asset in accordance with GAAP which are managed by a fund manager of recognized standing in the United States and having capital and surplus of at least \$100,000,000 or having at least \$250,000,000 under management; (6) stock, obligation, or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any Subsidiary provided such issuance is approved by the board of directors of the issuer thereof; (7) a loan or advance from the Borrower to a Subsidiary, or from a Subsidiary to a Subsidiary, or from a Subsidiary to the Borrower (subject, however, to the limitations set forth in Section 6.14 in the case of Investments in STIC and UHIC); (8) any Permitted Acquisition for which the total consideration payable for such Permitted Acquisition does not exceed, or have a value exceeding, \$50,000,000; (9) the Acquisition of Trafalgar House Properties Inc.; (10) an Investment in a Wholly Owned Subsidiary, which Investment is, or constitutes a part of, an Internal Reorganization (subject, however, to the limitations set forth in

Section 6.14 in the case of Investments in STIC and UHIC); (11) Investments in STIC and UHIC to the extent permitted in Section 6.14; (12) any Investment in a Joint Venture, provided that the amount of all such Investments by the Borrower and its Subsidiaries in all Joint Ventures does not exceed \$25,000,000 in the aggregate; or (13) any Investment of \$500,000 or less.

SECTION 6.08. GUARANTIES, ETC. Assume, guarantee, endorse, or otherwise be or become directly or contingently responsible or liable, or permit any Subsidiary to assume, guarantee, endorse, or otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth or otherwise to assure the creditors of any Person against loss), for obligations of any Person, except: (1) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (2) guaranties of performance obligations in the ordinary course of business; (3) guaranties of any obligation of \$500,000 or less, PROVIDED, HOWEVER, that neither the Borrower nor any Subsidiary shall guarantee an obligation of STIC or UHIC; and (4) that the Borrower or any Subsidiary or any Guarantor may, whether as a result of an Internal Reorganization or otherwise, guarantee the Debt of any other Subsidiary (other than STIC and UHIC) or Guarantor or the Borrower permitted under this Agreement.

SECTION 6.09. TRANSACTIONS WITH AFFILIATES. Enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, or permit any Subsidiary to enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Borrower's or such Guarantor's or any Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Guarantor or any Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate (which exception shall include the payment of insurance premiums to UHIC for the purchase of construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Subsidiaries and to STIC for title insurance); PROVIDED, HOWEVER, that the following transactions shall not be prohibited by this Section 6.09: (i) any transaction pursuant to the Tax Sharing Agreement dated as of March 2, 1994, between the Borrower and Hanson America Inc., the Services Agreement dated as of March 2, 1994, between the Borrower and Hanson America Inc., the agreement with Beazer Homes, Ltd. regarding use of name, the Pension and Employee Benefits Agreement dated as of March 2, 1994, among Beazer Homes, Inc., the Borrower and Hanson America Inc., the Cross Indemnification Agreement dated as of March 2, 1994, between the Borrower and Hanson America Inc., and the Registration Rights Agreement dated as of March 2, 1994, between the Borrower and Beazer America, Inc; (ii) transactions involving the purchase, sale or exchange of property having a value of \$500,000 or less; and (iii) transactions otherwise permitted by this Agreement.

SECTION 6.10. LAND INVENTORY. Permit the ratio, determined as at the end of any fiscal quarter, of (i) the sum of the number of Finished Lots and the reasonably estimated number of Finished Lots that will be developed on other Land, all determined as at the end of such fiscal

quarter, to (ii) the number of Housing Unit Closings for the period of four (4) full fiscal quarters ending with such fiscal quarter, to exceed 2.5 to 1.0.

SECTION 6.11. HOUSING INVENTORY. Permit the number of Speculative Housing Units, as at the end of any fiscal quarter, to exceed the greater of (a) the number of Housing Unit Closings occurring during the period of twelve (12) months ending on the last day of such fiscal quarter, multiplied by thirty percent (30%) or (b) the number of Housing Unit Closings occurring during the period of six (6) months ending on the last day of such fiscal quarter, multiplied by seventy percent (70%).

SECTION 6.12. SENIOR DEBT. Repay in whole or in part the principal of the Senior Debt, except for refinancings thereof from the proceeds of Refinancing Debt with respect thereto.

SECTION 6.13. AMENDMENT OR MODIFICATION OF SENIOR INDENTURES. Amend or modify, or permit any amendment or modification of, either of the Senior Indentures (other than those provided for in clauses (i), (ii), (iii), (v) or (vi) of Section 10.01(a) of such Senior Indentures).

SECTION 6.14. STIC AND UHIC. Permit any of the following: (i) the assets of STIC and UHIC to exceed \$10,000,000, in the aggregate, at any time; (ii) the aggregate amount of all Investments in STIC and UHIC by the Borrower and its Subsidiaries to exceed \$10,000,000, in the aggregate; (iii) UHIC to engage in any business other than the issuance of construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Subsidiaries; or (iv) STIC to engage in any business other than title insurance.

SECTION 6.15. NEGATIVE PLEDGES. Directly or indirectly enter into any agreement (other than this Agreement and the Senior Indentures) with any Person that prohibits or restricts or limits the ability of the Borrower or any Guarantor to create, incur, pledge or suffer to exist any Lien upon any assets of the Borrower or any Guarantor (except that agreements creating or securing Secured Debt permitted under Section 6.02 may prohibit, restrict or limit other Liens on those assets encumbered by the Liens securing such Secured Debt).

ARTICLE VII

FINANCIAL COVENANTS

So long as any Note shall remain unpaid or any Bank shall have any Commitment under this Agreement:

SECTION 7.01. MINIMUM CONSOLIDATED TANGIBLE NET WORTH. The Borrower will maintain at all times a Consolidated Tangible Net Worth of not less than the sum of (i) \$162,400,000 (subject to adjustment of such amount as hereinafter provided), (ii) an amount equal to fifty percent (50%) of the cumulative Net Income of the Borrower earned after June 30, 1998 (excluding any quarter in which there is a loss), and (iii) one hundred percent (100%) of the

net proceeds received after June 30, 1998 by the Borrower or any Subsidiary from the sale or issuance of any of its Common Equity. If the Borrower elects to convert to common stock some or all of the \$50,000,000 of its preferred stock outstanding as of the date of this Agreement (and provided its common stock price on the day that the conversion notice is given is greater than \$21.00 per share), the amount set forth in clause (i) above shall be reduced (but not below \$130,000,000) to the extent that Consolidated Tangible Net Worth is reduced as a result of the election by the preferred shareholders to convert their preferred stock to cash rather than to common stock.

SECTION 7.02. LEVERAGE RATIO. The Borrower will not at any time permit the ratio of Consolidated Debt to Consolidated Tangible Net Worth to exceed 2.0 to 1.0. For purposes of this Section 7.02, Consolidated Tangible Net Worth shall exclude the Borrower's and Guarantors' Investments in Joint Ventures and in Subsidiaries that are not Guarantors.

SECTION 7.03. PERMITTED SENIOR DEBT. The Borrower will not permit the outstanding amount of the Permitted Senior Debt to exceed the Borrowing Base.

SECTION 7.04. FIXED CHARGE COVERAGE RATIO. The Borrower shall maintain a ratio of (i) EBITDA to (ii) the sum (for the Borrower and its Subsidiaries on a consolidated basis) of (A) interest incurred, whether capitalized or expensed directly, plus (B) required principal payments (other than balloon payments on long-term Debt), (C) scheduled principal payments on Capital Lease obligations (other than balloon payments on long-term Capital Leases) and (D) dividends paid with respect to any one or more classes of preferred stock of the Borrower, of at least 1.5 to 1.0, which ratio shall be determined as of the last day of each fiscal quarter for the four-quarter period ending on such day.

SECTION 7.05. LAND INVENTORY. The Borrower shall not permit the ratio of (i) Adjusted Land Value to (ii) the sum of (a) Consolidated Tangible Net Worth plus (b) fifty percent (50%) of Consolidated Subordinated Debt to exceed 1.0 to 1.0.

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events shall occur:

(1) The Borrower shall fail to pay (a) the principal of any Note, or any amount of a commitment or other fee, as and when due and payable or (b) interest on any Note or any amount of any commitment fee or other fee within five (5) Business Days after the same is due and payable;

(2) Any representation or warranty made or deemed made by the Borrower or by any Guarantor in any Loan Document or which is contained in any certificate, document, opinion, or financial or other statement furnished at any time under or in connection with this Agreement shall prove to have been incorrect, incomplete, or misleading in any material respect on or as of the date made or deemed made;

(3) The Borrower or any Guarantor shall fail to perform or observe any term, covenant, or agreement contained in Articles V, VI or VII hereof, and such failure shall continue for a period of thirty (30) consecutive days;

(4) The Borrower or any Significant Subsidiary or any Significant Guarantor shall (a) fail to pay (within the applicable cure period, if any) any amount in respect of indebtedness for borrowed money equal to or in excess of \$5,000,000 in the aggregate (other than the Notes) of the Borrower or such Significant Subsidiary or such Significant Guarantor, as the case may be, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise); or (b) fail to perform or observe any term, covenant, or condition on its part to be performed or observed (within the applicable cure period, if any) under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or permit the acceleration of after the giving of notice or passage of time, or both, the maturity of such indebtedness, whether or not such failure to perform or observe shall be waived by the holder of such indebtedness, or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

(5) The Borrower or any Significant Subsidiary or any Significant Guarantor (a) shall generally not pay, or shall be unable to pay, or shall admit in writing its inability to pay its debts as such debts become due; or (b) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for it or a substantial part of its assets; or (c) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) shall have had any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made and which remains undismissed for a period of forty (40) days or more; or (e) shall take any corporate action indicating its consent to, approval of, or acquiescence in any such petition, application, proceeding, or order for relief or the appointment of a custodian, receiver, or trustee for all or any substantial part of its properties; or (f) shall suffer any such custodianship, receivership, or trusteeship to continue undischarged for a period of forty (40) days or more;

(6) One or more judgments, decrees, or orders for the payment of money in excess of \$10,000,000 in the aggregate shall be rendered against the Borrower and/or any Subsidiary and/or any Guarantor, and such judgments, decrees, or orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal;

(7) Any Guaranty hereunder shall at any time after its execution and delivery and for any reason cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Guarantor or the Guarantor shall deny it has any further liability or obligation under, or shall fail to perform its obligations under, the Guaranty (except to the extent that the foregoing occurs solely by reason of the liquidation or dissolution of a Guarantor as a result of an Internal Reorganization);

(8) Any Change of Control of the Borrower or any Subsidiary or any Guarantor shall occur;

(9) Any of the following events shall occur or exist with respect to the Borrower, any Subsidiary or any Commonly Controlled Entity under ERISA: any Reportable Event shall occur; complete or partial withdrawal from any Multiemployer Plan shall take place; any Prohibited Transaction shall occur; a notice of intent to terminate a Plan shall be filed, or a Plan shall be terminated; or circumstances shall exist which constitute grounds entitling the PBGC to institute proceedings to terminate a Plan, or the PBGC shall institute such proceedings; and in each case above, such event or condition, together with all other events or conditions described in this Section 8.01(9), if any, could subject the Borrower or any Significant Guarantor or Significant Subsidiary to any tax, penalty, or other liability which in the aggregate may exceed \$500,000; or

(10) If any federal, state, or local agency asserts a material claim against the Borrower or any Significant Guarantor or Significant Subsidiary and/or its assets, equipment, property, leaseholds, or other facilities for damages or cleanup costs relating to a hazardous discharge or an environmental complaint; provided, HOWEVER, that such claim shall not constitute a default if, within fifteen (15) days of the occurrence giving rise to the claim, (a) the Borrower can prove to the reasonable satisfaction of the Majority Banks that the Borrower has commenced and is diligently pursuing either: (i) a cure or correction of the event which constitutes the basis for the claim, and continues diligently to pursue such cure or correction or (ii) proceedings for an injunction, a restraining order or other appropriate emergent relief preventing such agency or agencies from asserting such claim, which relief is granted within thirty (30) days of the occurrence giving rise to the claim and the injunction, order, or emergent relief is not thereafter resolved or reversed on appeal or (iii) the defense against the claim through action in a court or agency exercising jurisdiction over the claim; and (b) in any of the foregoing events, the Borrower has posted a bond, letter of credit, or other security satisfactory in form, substance, and amount to the Majority Banks and the agency or entity asserting the claim to secure the correction of the event which constitutes the basis for the claim in accordance with applicable laws;

then, and in any such event, the Agent shall at the request of, or may, with the consent of, the Majority Banks, by notice to the Borrower, (1) declare the Banks' obligation to make Loans (including, in the case of the Swing Line Bank, Swing Line Loans) to be terminated, whereupon the same shall forthwith terminate; and (2) declare the outstanding Notes, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest, and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by the Borrower; PROVIDED, HOWEVER, in the case of an event described in Section 8.01(5) hereof the obligations of the Banks to make Loans (including, in the case of the Swing Line Bank, Swing Line Loans) hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent or any Bank.

SECTION 8.02. SET OFF. Upon the occurrence and during the continuance of any Event of Default, each Bank is hereby authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or the Bank's Note or any other Loan Document, irrespective of whether or not the Agent or such Bank shall have made any demand under this Agreement or such Bank's Note or such other Loan Document and although such obligations may be unmaturing. Each Bank agrees promptly to notify the Borrower (with a copy to the Agent) after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section 8.02 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which each Bank may have.

ARTICLE IX

GUARANTY

SECTION 9.01. GUARANTY. (a) Each of the Guarantors (including both the New Guarantors and the Original Guarantors) unconditionally and irrevocably guarantees the due and punctual payment and performance of the Obligations. Each of the Guarantors further agrees that the Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and it will remain bound upon this Guaranty notwithstanding any extension or renewal of any Obligation.

(b) Each of the Guarantors waives presentation to, demand for payment from and protest to the Borrower or any other Guarantor of any of the Obligations, and also waives notice of protest for nonpayment. The Obligations of the Guarantors hereunder shall not be affected by (i) the failure of the Agent or any Bank to assert any claim or demand or to enforce any right or remedy against the Borrower or any other Guarantor under the provisions of this Agreement or any other agreement or otherwise; (ii) any extension or renewal of any provision hereof or thereof; (iii) any rescission, waiver, compromise, acceleration, amendment or modification of any of the terms or provisions of any Loan Document or any other agreement; (iv) the release, exchange, waiver or foreclosure of any security held by the Agent or any Bank for the Obligations or any of them; (v) the failure of the Agent or any Bank to exercise any right or remedy against any other guarantor of the Obligations; or (vi) the release or substitution of any Guarantor.

(c) Each of the Guarantors further agrees that this Guaranty constitutes a guaranty of performance and of payment when due and not just of collection, and waives any right to require that any resort be had by the Agent or any Bank to any security held for payment of the Obligations or to any balance of any deposit, account or credit on the books of a Bank in favor of the Borrower or any other Guarantor, or to any other Person.

(d) Each of the Guarantors hereby expressly assumes all responsibilities to remain informed of the financial condition of the Borrower and each other Guarantor and any circumstances affecting the ability of the Borrower to perform under this Agreement. Each Guarantor acknowledges that it will receive direct and indirect benefits from the Loans contemplated by this Agreement and that the Banks required as a condition to entering into this Agreement, and in order to secure the prompt and complete payment, observance and performance of the Obligations, that each Guarantor shall make this Guaranty.

(e) Each of the Guarantors' guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Obligations, the Notes or any other instrument evidencing any Obligations, or by the existence, validity, enforceability, perfection, or extent of any collateral therefor or by any other circumstance relating to the Obligations which might otherwise constitute a defense to this Guaranty. The Agent makes no representation or warranty in respect of any such circumstances and has no duty or responsibility whatsoever to the Guarantors in respect of the management and maintenance of the Obligations or any such collateral.

SECTION 9.02. NO IMPAIRMENT OF GUARANTY. The Obligations of the Guarantors hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the Obligations of the Guarantors hereunder shall not be discharged or impaired or otherwise affected by the failure of the Agent or any Bank to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification of any provision thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of the Guarantors or would otherwise operate as a discharge of the Guarantors as a matter of law, unless and until the Obligations are paid in full and the Commitments have been terminated.

SECTION 9.03. CONTINUATION AND REINSTATEMENTS ETC. (a) Each of the Guarantors further agrees that its guaranty hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal or of interest on any Obligation is rescinded or must otherwise be restored by the Agent or any Bank upon the bankruptcy or reorganization of the Borrower or a Guarantor, or otherwise. In furtherance of the provisions of this Article IX, and not in limitation of any other right which the Agent or any Bank may have at law or in equity against the Borrower or the Guarantors by virtue hereof, upon failure of the Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice or otherwise, each of the Guarantors hereby promises to and will, upon receipt of written demand by the Agent on behalf of the Banks, forthwith pay or cause to be paid to the Agent on behalf of the Banks in cash an amount equal to the unpaid amount of all the Obligations, and thereupon the Banks shall assign such Obligation, together with all security interests, if any, then held by the Agent in respect of such Obligation, to the Guarantor or Guarantors making such payment.

(b) Upon payment by any Guarantor of any sums to the Agent on behalf of the Banks hereunder, all rights of such Guarantor against the Borrower, arising as a result thereof by way of right of subrogation or otherwise, shall in all respects be subordinate and junior in right of payment to the prior final and indefeasible payment in full of all the Obligations to the Agent on behalf of the Banks. If any amount shall be paid to such Guarantor for the account of the Borrower, such amount shall be held in trust for the benefit of the Banks and shall forthwith be paid to the Agent on behalf of the Banks to be credited and applied to the Obligations, whether matured or unmatured.

SECTION 9.04. LIMITATION ON GUARANTEED AMOUNT. Notwithstanding any other provision of this Article IX, the amount guaranteed by any Guarantor hereunder shall be limited to the extent, if any, required so that its obligations under this Article IX shall not be subject to avoidance under Section 548 of the Bankruptcy Code or to being set aside or annulled under any applicable state law relating to fraud on creditors. In determining the limitations, if any, on the amount of such Guarantor's obligations hereunder pursuant to the preceding sentence, any rights of subrogation or contribution which such Guarantor may have under this Article IX or applicable law shall be taken into account.

ARTICLE X

AGENCY PROVISIONS

SECTION 10.01. AUTHORIZATION AND ACTION. Each Bank hereby irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The duties of the Agent shall be mechanical and administrative in nature and the Agent shall not by reason of this Agreement be a trustee or fiduciary for any Bank. The Agent shall have no duties or responsibilities except those expressly set forth herein. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to act or to refrain from acting except upon the instructions of the Majority Banks or, to the extent required under Section 11.01, all Banks (and shall be fully protected in so acting or so refraining from acting), and such instructions shall be binding upon all Banks and all holders of Notes; PROVIDED, HOWEVER, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or applicable law. The Agent shall administer the Loan in the same manner that it would administer a comparable loan held 100% for its own account.

SECTION 10.02. LIABILITY OF AGENT. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement in the absence of its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Agent (1) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (2)

may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (3) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties, or representations made in or in connection with this Agreement; (4) shall not have any duty to ascertain or to inquire as to the performance or observance of any terms, covenants, or conditions of this Agreement on the part of the Borrower, or to inspect the property (including the books and records) of the Borrower; (5) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, perfection, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (6) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be sent by telegram, telefax, or facsimile transmission) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 10.03. RIGHTS OF AGENT AS A BANK. With respect to its Commitment, the Loans made by it and the Note issued to it, the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include the Agent in its individual capacity. The Agent, each Bank and each of their respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any Subsidiary, all as if the Agent were not the Agent and without any duty to account therefor to the other Banks.

SECTION 10.04. INDEPENDENT CREDIT DECISIONS. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. The Agent shall promptly provide the Banks with copies of all notices of default and other formal notices sent or received in accordance with Section 11.02 of this Agreement, any written notice relating to changes in the Borrower's debt ratings that affect the Senior Debt Rating received from the Borrower or a ratings agency and any other documents or notices received by the Agent with respect to the Agreement and requested in writing by any Bank. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall have no duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Borrower or any of its Subsidiaries (or any of their Affiliates) which may come into possession of the Agent or any of its Affiliates.

SECTION 10.05. INDEMNIFICATION. The Banks severally agree to indemnify the Agent in its capacity as Agent and not as a Bank (to the extent not reimbursed by the Borrower), ratably according to the respective amounts of their Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action

taken or omitted by the Agent under this Agreement, provided that no Bank shall be liable for any portion of any of the foregoing (i) resulting from the Agent's gross negligence or willful misconduct, (ii) on account of a strictly internal or regulatory matter relating to the Agent (such as relating to legal lending limit violation by the Agent), or (iii) in connection with a breach of an express agreement made by the Agent to a Bank under this Agreement. Without limitation of the foregoing, each Bank severally agrees to reimburse the Agent (to the extent not reimbursed by the Borrower) promptly upon demand for its ratable share of any reasonable out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, administration, or enforcement of, or legal advice in respect of rights or responsibilities under, this Agreement; provided, however, that no Bank shall be required to reimburse the Agent for any such expenses incurred (i) resulting from the Agent's gross negligence or willful misconduct, (ii) on account of a strictly internal or regulatory matter relating to the Agent (such as relating to legal lending limit violation by the Agent), or (iii) in connection with a breach of an express agreement made by the Agent to a Bank under this Agreement.

SECTION 10.06. SUCCESSOR AGENT. (a) The Agent may resign at any time by giving at least sixty (60) days' prior written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent, subject to Section 10.06(b). If no successor Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank or federal savings bank organized under the laws of the United States of America or of any State thereof, subject to Section 10.06(b). Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

(b) The appointment of any successor Agent that is not a Bank shall be subject to the prior written approval of the Borrower, which approval shall not be unreasonably withheld.

SECTION 10.07. SHARING OF PAYMENTS, ETC. If any Bank shall obtain any payments (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Note held by it in excess of its ratable share of payments on account of the Notes obtained by all the Banks, such Bank shall purchase from the other Banks such participations in the Notes held by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of the other Banks, PROVIDED, HOWEVER, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and each Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (1) the amount of such Bank's required repayment to (2) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that

any Bank so purchasing a participation from another Bank pursuant to this Section 10.07 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

SECTION 10.08. WITHHOLDING TAX MATTERS. Each Bank which is a Non-United States Person agrees to execute and deliver to the Agent for delivery to the Borrower, before the first scheduled payment date in each year, either (i) three United States Internal Revenue Service Forms 1001 or (ii) three United States Internal Revenue Service Forms 4224 together with three United States Internal Revenue Service Forms W-9, or any successor forms, as appropriate, properly completed and claiming complete or partial, as the case may be, exemption from withholding and deduction of United States federal taxes. Each Bank which is a Non-United States Person represents and warrants to the Borrower and to the Agent that, at the date of this Agreement, (i) its Lending Offices are entitled to receive payments of principal, interest, and fees hereunder without deduction or withholding for or on account of any taxes imposed by the United States or any political subdivision thereof and (ii) it is permitted to take the actions described in the preceding sentence under the laws and any applicable double taxation treaties of the jurisdictions specified in the preceding sentence. Each Bank which is a Non-United States Person further agrees that, to the extent any form claiming complete or partial exemption from withholding and deduction of United States federal taxes delivered under this Section 10.08 is found to be incomplete or incorrect in any material respect, such Bank shall execute and deliver to the Agent a complete and correct replacement form.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. AMENDMENTS, ETC. No amendment, modification, termination, or waiver of any provision of any Loan Document to which the Borrower is a party, nor consent to any departure by the Borrower from any Loan Document to which it is a party, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks and the Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, HOWEVER, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks and the Borrower, do any of the following: (1) increase the Commitments of the Banks or the Swing Loan Commitment of the Swing Line Bank or subject the Banks to any additional obligations; (2) reduce the principal of, or interest on, the Notes or any fees (other than the Agent's fees) hereunder; (3) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees (other than the Agent's fees) hereunder; (4) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes or the number of Banks which shall be required for the Banks or any of them to take action hereunder (including, without limitation, any change in the number of Banks required to extend the Termination Date under the provisions of Section 2.19); (5) release any Significant Guarantor; or (6) amend, modify or waive any provision of Article X or this Section 11.01; and, PROVIDED FURTHER, that no amendment, waiver,

or consent shall, unless in writing and signed by the Agent or the Swing Line Bank (as applicable) in addition to the Banks required above to take such action, affect the rights or duties of the Agent or the Swing Line Bank (as applicable) under any of the Loan Documents; and, PROVIDED, further, that no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank in addition to the Banks required above to take such action, affect the rights or duties of the Issuing Bank under any of the Loan Documents.

SECTION 11.02. NOTICES, ETC. All notices and other communications provided for under this Agreement and under the other Loan Documents to which the Borrower is a party shall be in writing (including telegraphic, telex, and facsimile transmissions) and mailed or transmitted or hand delivered, if to the Borrower, a Guarantor, a Bank or the Agent at its respective address set forth on the signature pages hereof; or, as to each party, at such other address as shall be designated by such party in a written notice to all other parties complying as to delivery with the terms of this Section 11.02. Except as is otherwise provided in this Agreement, all such notices and communications shall be effective when deposited in the mails or delivered to the telegraph company, or transmitted, answerback received, or hand delivered, respectively, addressed as aforesaid, except that notices to the Agent pursuant to the provisions of Article II shall not be effective until received by the Agent or, in the case of Section 2.21, the Swing Line Bank.

SECTION 11.03. NO WAIVER. No failure or delay on the part of any Bank or the Agent or the Issuing Bank in exercising any right, power, or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. The making of a Loan or issuance, amendment or extension of a Facility Letter of Credit notwithstanding the existence of a Default or Event of Default shall not constitute any waiver or acquiescence of such Default or Event of Default, and the making of any Loan or issuance, amendment or extension of a Facility Letter of Credit notwithstanding any failure or inability to satisfy the conditions precedent to such Loan or issuance, amendment or extension of a Facility Letter of Credit shall not constitute any waiver or acquiescence with respect to such conditions precedent with respect to any subsequent Loans or subsequent issuance, amendment or extension of a Facility Letter of Credit. The rights and remedies provided herein are cumulative, and are not exclusive of any other rights, powers, privileges, or remedies, now or hereafter existing, at law, in equity or otherwise.

SECTION 11.04. COSTS, EXPENSES, AND TAXES. The Borrower agrees to reimburse the Agent for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, negotiation, execution, delivery, review, amendment, modification and administration of the Loan Documents and the collection of the Loans and enforcement of the Loan Documents. In addition, the Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of any of the Loan Documents and the other documents to be delivered under any such Loan Documents, and agrees to hold the Agent and each of the Banks harmless from and against any and all liabilities with respect to or resulting from any delay in paying or failing to pay such taxes and fees. This provision shall survive termination of this Agreement.

SECTION 11.05. INTEGRATION. This Agreement (including the Borrower's obligation to pay the fees of the Agent and BOCM as provided in Section 2.09(c) and the letter referred to therein) and the Loan Documents contain the entire agreement between the parties

relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto.

SECTION 11.06. INDEMNITY. The Borrower hereby agrees to defend, indemnify, and hold each Bank harmless from and against all claims, damages, judgments, penalties, costs, and expenses (including attorney fees and court costs now or hereafter arising from the aforesaid enforcement of this clause) arising directly or indirectly from the activities of the Borrower and its Subsidiaries, its predecessors in interest, or third parties with whom it has a contractual relationship, or arising directly or indirectly from the violation of any environmental protection, health, or safety law, whether such claims are asserted by any governmental agency or any other person. This indemnity shall survive termination of this Agreement.

SECTION 11.07. GOVERNING LAW. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of Illinois (without regard to principles of conflict of law) but giving effect to federal laws applicable to national banks.

SECTION 11.08. SEVERABILITY OF PROVISIONS. Any provision of any Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 11.09. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties to this Agreement in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

SECTION 11.10. HEADINGS. Article and Section headings in the Loan Documents are included in such Loan Documents for the convenience of reference only and shall not constitute a part of the applicable Loan Documents for any other purpose.

SECTION 11.11. SUBMISSION TO JURISDICTION. The Borrower, each Subsidiary, and each Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State court sitting in The City of Chicago for purposes of all legal proceedings which may arise hereunder or under the Notes. The Borrower, each Subsidiary, and each Guarantor irrevocably waives to the fullest extent permitted by law, any objection which it may have or hereafter have to the laying of the venue of any such proceeding brought in such a court, and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. The Borrower, each Subsidiary, and each Guarantor hereby consents to process being served in any such proceeding by the mailing of a copy thereof by registered or certified mail, postage prepaid, to its address specified in Section 11.02 hereof or in any other manner permitted by law.

SECTION 11.12. JURY TRIAL WAIVER. THE BORROWER, EACH SUBSIDIARY, EACH GUARANTOR, THE AGENT, AND EACH BANK HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATED TO THIS

AGREEMENT OR THE LOAN DOCUMENTS. NO OFFICER OF ANY BANK OR OF THE AGENT HAS AUTHORITY TO WAIVE, CONDITION, OR MODIFY THIS PROVISION.

SECTION 11.13. GOVERNMENTAL REGULATION. Anything contained in this Agreement to the contrary notwithstanding, no Bank shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

SECTION 11.14. NO FIDUCIARY DUTY. The relationship between the Borrower and the Banks and the Agent shall be solely that of borrower and lender. Neither the Agent nor any Bank shall have any fiduciary responsibilities to the Borrower. Neither the Agent nor any Bank undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

SECTION 11.15. CONFIDENTIALITY. Each Bank agrees to hold any confidential information which it may receive from the Borrower pursuant to this Agreement in confidence, except for disclosure (i) to other Banks and their respective affiliates, (ii) to legal counsel, accountants, and other professional advisors to that Bank or to a Transferee, (iii) to regulatory officials, (iv) to any Person as requested pursuant to or as required by law, regulation, or legal process, (v) to any Person in connection with any legal proceeding to which that Bank is a party, and (vi) permitted by Section 12.04.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

SECTION 12.01. SUCCESSORS AND ASSIGNS. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Agent and the Banks and their respective successors and assigns, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents without the consent of all Banks and (ii) any assignment by any Bank must be made in compliance with Section 12.03. Notwithstanding clause (ii) of this Section, any Bank may at any time, without the consent of the Borrower or the Agent, pledge all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank as security for an obligation of such pledgor or of an affiliated entity to such Federal Reserve Bank; PROVIDED, HOWEVER, that no such pledge shall release the pledgor Bank from its obligations hereunder. The Agent may treat the payee of any Note as the owner thereof for all purposes hereof unless and until such payee complies with Section 12.03 in the case of an assignment thereof. Any assignee or transferee of a Note agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange thereof.

SECTION 12.02. PARTICIPATIONS. (A) PERMITTED PARTICIPANTS; EFFECT. Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank (which may include, in the case of the Swing Line Bank, the Swing Line Commitment) or any other interest

of such Bank under the Loan Documents in an amount not less than Five Million Dollars (\$5,000,000). In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under the Loan Documents shall remain unchanged, such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, such Bank shall remain the holder of any such Note for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Bank had not sold participating interests, and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under the Loan Documents.

(b) VOTING RIGHTS. Each Bank shall with respect to its Participants, if any, retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment (or Swing Line Commitment, if applicable) in which such Participant has an interest which forgives principal, interest or fees (other than Agent's fees) or reduces the interest rate or fees (other than Agent's fees) payable with respect to any such Loan or Commitment (or Swing Line Commitment, if applicable), postpones any date fixed for any regularly scheduled payment of principal of, or interest or fees (other than Agent's fees) on, any such Loan or Commitment (or Swing Line Commitment, if applicable) or releases any Significant Guarantor.

(c) BENEFIT OF SET-OFF. The Borrower agrees that each Participant shall be deemed to have the rights of set-off provided in Sections 2.12 and 8.02 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Bank under the Loan Documents, provided that each Bank shall retain the right of set-off provided in Sections 2.12 and 8.02 with respect to the amount of participating interests sold to each Participant. The Banks agree to share with each Participant, and each Participant, by exercising the right of set-off provided in Section 2.12 or 8.02, agrees to share with each Bank, any amount received pursuant to the exercise of its right of set-off, such amounts to be shared in accordance with Section 10.07 as if each Participant were a Bank.

SECTION 12.03. ASSIGNMENTS. (a) PERMITTED ASSIGNMENTS. Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all, or any part (but in an amount not less than Five Million Dollars (\$5,000,000) of its Commitment and Loans, which may include, in the case of a Purchaser of an interest from the Swing Line Bank, the Swing Line Commitment and Swing Line Loans), of its rights and obligations under the Loan Documents, PROVIDED, HOWEVER, that, based upon facts and circumstances existing at the time of any such assignment, such assignment does not result in an event described in Sections 2.14, 2.15, or 2.16 hereof. Such assignment shall be substantially in the form of EXHIBIT I hereto or in such other form as may be agreed to by the parties thereto. The consent of the Borrower and the Agent shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Bank or an Affiliate thereof; PROVIDED, HOWEVER, that if an Event of Default has occurred and is continuing, the consent of the Borrower shall not be required. Such consent shall not be unreasonably withheld.

(b) EFFECT; EFFECTIVE DATE. Upon (i) delivery to the Agent of a notice of assignment, substantially in the form attached as Exhibit 1 to EXHIBIT I hereto (a "Notice of

Assignment"), together with any consents required by Section 12.03; and (ii) payment (by either the assignor or the assignee) of a \$4,000.00 fee (or, in the case of an assignment to the assignor's Affiliate or by reason of the provisions of Section 2.19, a \$2,000 fee) to the Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment. The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Bank party to this Agreement and shall have all the rights and obligations of a Bank under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Banks or the Agent shall be required to release the transferor Bank with respect to the percentage of the Aggregate Commitments and Loans (and, if applicable, Swing Line Commitments and Swing Line Loans) assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.03(b), the transferor Bank, the Agent and the Borrower shall make appropriate arrangements so that replacement Notes are issued to such transferor Bank and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their Commitment, as adjusted pursuant to such assignment.

(c) BANK ACQUISITIONS AND MERGERS. If, as a result of acquisitions or mergers by Banks (or by entities of which a Bank or Banks are subsidiaries), a Bank or two or more Banks that are, directly or indirectly, subsidiaries of a common parent (collectively, "Merged Banks") hold a Commitment or Commitments in an aggregate amount exceeding the amount of the Commitment held by the Bank that is the Agent hereunder, the Bank that is the Agent may, at its election, but without any obligation to do so, acquire from such Merged Banks a portion of their Commitments and rights and obligations hereunder in an amount necessary to reduce the aggregate amount of the Commitments of the Merged Banks, and to increase the Commitment of the Bank that is Agent, to equal amounts. Such election shall be exercisable by notice from the Agent to the Merged Banks and shall be effected, on a date designated in such notice, by Assignment substantially in the form of EXHIBIT I hereto or such other form as may be agreed to by the parties. On the date of delivery of such Assignment the assignor shall pay to the assignee an amount equal to the principal balance of the Loans outstanding with respect to the interest so assigned.

SECTION 12.04. DISSEMINATION OF INFORMATION. The Borrower authorizes each Bank to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Bank's possession concerning the creditworthiness of the Borrower, each Subsidiary, or each Guarantor, provided that such Transferee or prospective Transferee agrees to be subject to Section 11.15 to the same effect as if it were a Bank.

SECTION 12.05. TAX TREATMENT. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer to comply with the provisions of Section 10.08.

ARTICLE XIII

THE LETTER OF CREDIT FACILITY

SECTION 13.01. FACILITY LETTERS OF CREDIT. (a) Each Issuing Bank agrees, on the terms and conditions set forth in this Agreement, to issue from time to time for the account of the Borrower, through such offices or branches as it and the Borrower may jointly agree, one or more Facility Letters of Credit in accordance with this Article XIII, during the period commencing on the Effective Date and ending on the sixtieth (60th) day prior to the Termination Date.

(b) The Borrower shall not request, and no Issuing Bank shall issue, a Facility Letter of Credit for any purpose other than for purposes for which Loan proceeds may be used.

SECTION 13.02. LIMITATIONS. An Issuing Bank shall not issue, amend or extend, at any time, any Facility Letter of Credit:

(i) if the aggregate maximum amount then available for drawing under Letters of Credit issued by such Issuing Bank, after giving effect to the Facility Letter of Credit or amendment or extension thereof requested hereunder, shall exceed any limit imposed by law or regulation upon such Issuing Bank;

(ii) if, after giving effect to the issuance, amendment or extension of the Facility Letter of Credit requested hereunder, the aggregate principal amount of the Facility Letter of Credit Obligations would exceed \$50,000,000;

(iii) if, after giving effect to the issuance, amendment or extension of the Facility Letter of Credit requested hereunder, Permitted Senior Debt would exceed the Borrowing Base as of the most recent Inventory Valuation Date;

(iv) if, after giving effect to the issuance, amendment or extension of the Facility Letter of Credit requested hereunder, the sum of (A) the outstanding and unpaid principal amount of the Loans and (B) the Facility Letter of Credit Obligations would exceed the Aggregate Commitments;

(v) if such Issuing Bank receives written notice from the Agent at or before 11:00 A.M. (Chicago time) on the proposed Issuance Date of such Facility Letter of Credit that one or more of the conditions precedent contained in Section 13.03 would not on such Issuance Date be satisfied, unless such conditions are thereafter satisfied or waived and written notice of such satisfaction is given to such Issuing Bank by the Agent;

(vi) that has an expiration date (taking into account any automatic renewal provisions thereof) later than thirty (30) days prior to the scheduled Termination Date; or

(vii) that is in a currency other than U.S. Dollars.

Section 13.03. CONDITIONS. The issuance, amendment or extension of any Facility Letter of Credit is subject to the satisfaction in full of the following conditions on the Issuance Date:

(i) the Borrower shall have delivered to the Issuing Bank at such times and in such manner as the Issuing Bank may reasonably prescribe a Reimbursement Agreement and such other documents and materials as may be reasonably required pursuant to the terms thereof, and the proposed Facility Letter of Credit shall be reasonably satisfactory to such Issuing Bank in form and content;

(ii) as of the Issuance Date no order, judgment or decree of any court, arbitrator or governmental authority shall enjoin or restrain such Issuing Bank from issuing the Facility Letter of Credit and no law, rule or regulation applicable to the Issuing Bank and no directive from any governmental authority with jurisdiction over the Issuing Bank shall prohibit such Issuing Bank from issuing Letters of Credit generally or from issuing that Facility Letter or Credit;

(iii) The following statements shall be true, and the Agent and such Issuing Bank shall have received a certificate, substantially in the form of the certificate attached hereto as EXHIBIT G, signed by a duly authorized officer of the Borrower dated the Issuance Date stating that:

(a) The representations and warranties contained in Article IV of this Agreement are correct on and as of such Issuance Date as though made on and as of such Issuance Date except to the extent that any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty is correct as of such earlier date;

(b) No Default or Event of Default has occurred and is continuing or would result from the issuance, amendment or extension of such Facility Letter of Credit; and

(c) Upon the issuance, amendment or extension of the requested Facility Letter of Credit on such Issuance Date, the aggregate outstanding amount of Permitted Senior Debt shall not exceed the Borrowing Base as of the most recent Inventory Valuation Date; and

(iv) The Issuing Bank and the Agent shall have received such other approvals, opinions, or documents as either may reasonably request.

SECTION 13.04. PROCEDURE FOR ISSUANCE OF FACILITY LETTERS OF CREDIT.

(a) The Borrower shall give the applicable Issuing Bank and the Agent not less than two (2) Business Days' prior written notice of any requested issuance of a Facility Letter of Credit under this Agreement (except that, in lieu of such written notice, the Borrower may give the Issuing Bank and the Agent telephonic notice of such request if confirmed in writing by delivery to such Issuing Bank and the Agent (i) immediately (A) of a telecopy of the written notice required hereunder which has been signed by an authorized officer of the Borrower or (B) of a telex containing all information required to be contained in such written notice and (ii) promptly (but

in no event later than the requested Issuance Date) of the written notice required hereunder containing the original signature of an authorized officer of the Borrower). Such notice shall specify (i) the stated amount of the Facility Letter of Credit requested, which amount shall be in compliance with the requirements of Section 13.02, (ii) the requested Issuance Date, which shall be a Business Day, (iii) the date on which such requested Facility Letter of Credit is to expire, which date shall be in compliance with the requirements of Section 13.02(vi), (iv) the purpose for which such Facility Letter of Credit is to be issued, which purpose shall be in compliance with the requirements of Section 13.01(b), and (v) the Person for whose benefit the requested Facility Letter of Credit is to be issued. At the time such request is made, the Borrower shall also provide the Agent with a copy of the form of the Facility Letter of Credit it is requesting be issued. Such notice, to be effective, must be received by the Issuing Bank and the Agent not later than 2:00 p.m. (Chicago time) on the last Business Day on which notice can be given under this Section 13.04(a).

(b) Promptly following receipt of a request for issuance of a Facility Letter of Credit in accordance with Section 13.04(a), such Issuing Bank shall approve or disapprove, in its reasonable discretion, the issuance of such requested Facility Letter of Credit, but the issuance of such approved Facility Letter of Credit shall continue to be subject to the provisions of this Article XIII.

(c) Subject to the terms and conditions of this Article XIII (including, without limitation, Sections 13.02 and 13.03), the applicable Issuing Bank shall, on the Issuance Date, issue the requested Facility Letter of Credit in accordance with such Issuing Bank's usual and customary business practices unless such Issuing Bank has actually received written or telephonic notice from the Borrower specifically revoking the request to issue such Facility Letter of Credit. The Issuing Bank shall give the Agent written notice, or telephonic notice confirmed promptly thereafter in writing, of the issuance of a Facility Letter of Credit, and the Agent shall promptly thereafter so notify all Banks.

(d) No Issuing Bank shall extend or amend any Facility Letter of Credit unless the requirements of this Section 13.04 are met as though a new Facility Letter of Credit were being requested and issued.

(e) Any Bank may, but shall not be obligated to, issue to the Borrower or any of its Subsidiaries Letters of Credit (that are not Facility Letters of Credit) for its own account, and at its own risk. None of the provisions of this Article XIII shall apply to any Letter of Credit that is not a Facility Letter of Credit.

SECTION 13.05. DUTIES OF ISSUING BANK. Any action taken or omitted to be taken by an Issuing Bank under or in connection with any Facility Letter of Credit, if taken or omitted in the absence of willful misconduct or gross negligence, shall not put such Issuing Bank under any resulting liability to any Bank or, assuming that such Issuing Bank has complied in all material respects with the procedures specified in Section 13.04, relieve any Bank of its obligations hereunder to such Issuing Bank. In determining whether to pay under any Facility Letter of Credit, such Issuing Bank shall have no obligation to the Banks other than to confirm that any documents required to be delivered under such Facility Letter of Credit appear to have been delivered in compliance and that they appear to comply on their face with the requirements of such Facility Letter of Credit.

SECTION 13.06. PARTICIPATION. (a) Immediately upon the Effective Date (in the case of the Facility Letters of Credit outstanding on the Effective Date) and immediately upon issuance after the Effective Date by an Issuing Bank of any Facility Letter of Credit in accordance with Section 13.04, each Bank shall be deemed to have irrevocably and unconditionally purchased and received from such Issuing Bank, without recourse or warranty, an undivided interest and participation ratably (in the proportion of such Bank's Commitment to the Aggregate Commitments) in such Facility Letter of Credit (including, without limitation, all obligations of the Borrower with respect thereto other than amounts owing to such Issuing Bank under Section 2.15).

(b) In the event that an Issuing Bank makes any payment under any Facility Letter of Credit and the Borrower shall not have repaid such amount to such Issuing Bank on or before the date of such payment by such Issuing Bank, such Issuing Bank shall promptly so notify the Agent, which shall promptly so notify each Bank. Upon receipt of such notice, each Bank shall promptly and unconditionally pay to the Agent for the account of such Issuing Bank the amount of such Bank's ratable share (in the proportion of such Bank's Commitment to the Aggregate Commitments) of such payment in same day funds, and the Agent shall promptly pay such amount, and any other amounts received by the Agent for such Issuing Bank's account pursuant to this Section 13.06(b), to such Issuing Bank. If the Agent so notifies such Bank prior to 11:00 A.M. (Chicago time) on any Business Day, such Bank shall make available to the Agent for the account of such Issuing Bank such Bank's ratable share of the amount of such payment on such Business Day in same day funds. If and to the extent such Bank shall not have so made its ratable share of the amount of such payment available to the Agent for the account of the Issuing Bank, such Bank agrees to pay to the Agent for the account of the Issuing Bank forthwith on demand such amount, together with interest thereon, for each day from the date such payment was first due until the date such amount is paid to the Agent for the account of the Issuing Bank, at the Federal Funds Rate. The failure of any Bank to make available to the Agent for the account of an Issuing Bank such Bank's ratable share of any such payment shall not relieve any other Bank of its obligation hereunder to make available to the Agent for the account of such Issuing Bank its ratable share of any payment on the date such payment is to be made.

(c) The payments made by the Banks to an Issuing Bank in reimbursement of amounts paid by it under a Facility Letter of Credit shall constitute, and the Borrower hereby expressly acknowledges and agrees that such payments shall constitute, Loans hereunder (notwithstanding that the amounts thereof may not comply with the provisions of Section 2.01(c)). Such Loans shall be ABR Loans, subject to the Borrower's rights under Article II hereof.

(d) Upon the request of the Agent or any Bank, each Issuing Bank shall furnish to the requesting Agent or Bank copies of any Facility Letter of Credit or Reimbursement Agreement to which such Issuing Bank is party.

(e) The obligations of the Banks to make payments to the Agent for the account of an Issuing Bank with respect to a Facility Letter of Credit shall be irrevocable, not subject to any qualification or exception whatsoever and shall be made in accordance with, but not subject to, the terms and conditions of this Agreement under all circumstances, including, without limitation, the following:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against a beneficiary named in a Facility Letter of Credit or any transferee of any Facility Letter of Credit (or any Person for whom any such transferee may be acting), the Issuing Bank, the Agent, any Bank, or any other Person, whether in connection with this Agreement, any Facility Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transactions between the Borrower or any Subsidiary and the beneficiary named in any Facility Letter of Credit);

(iii) any draft, certificate or any other document presented under the Facility Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect of any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(v) any failure by the Agent or an Issuing Bank to make any reports required pursuant to Section 13.08; or

(vi) the occurrence of any Default or Event of Default.

(f) For purposes of determining the unused portion of the Aggregate Commitments and the unused portion of a Bank's Commitment under Sections 2.02 and 2.09(b), the Aggregate Commitments shall be deemed used to the extent of the aggregate undrawn face amount of the outstanding Facility Letters of Credit and the Bank's Commitment shall be deemed used to the extent of such Bank's ratable share (in the proportion of such Bank's Commitment to the Aggregate Commitments) of the aggregate undrawn face amount of the outstanding Facility Letters of Credit.

SECTION 13.07. COMPENSATION FOR FACILITY LETTERS OF CREDIT. (a) The Borrower agrees to pay to the Agent, in the case of the issuance of each Facility Letter of Credit, the Facility Letter of Credit Fee therefor, payable in quarterly installments in advance on the Issuance Date (which installment shall be a pro rata portion of the annual Facility Letter of Credit Fee for the period commencing on the Issuance Date and ending on the last day of the calendar quarter in which the Issuance Date occurs) and on the first day of each calendar quarter after the Issuance Date (which installment shall be a pro rata portion of the annual Facility Letter of Credit Fee for the quarter in which such payment is due). Facility Letter of Credit Fees shall be calculated, on a pro rata basis for the period to which such payment applies, for actual days that will elapse during such period, on the basis of a 360-day year. The Agent shall promptly remit such Facility Letter of Credit Fees, when paid, to the Banks ratably.

(b) The Borrower shall also pay to the applicable Issuing Bank, solely for its own account, a fee with respect to each Facility Letter of Credit issued by such Issuing Bank in an amount per annum equal to the product of (i) 0.125% per annum and (ii) the face amount of such Facility Letter of Credit, which fee shall be payable in advance on or before the issuance of such Facility Letter of Credit. An Issuing Bank shall also have the right to receive, solely for its own

account, its out-of-pocket costs of issuing and servicing Facility Letters of Credit, as the Borrower may agree in writing.

SECTION 13.08. ISSUING BANK REPORTING REQUIREMENTS. Each Issuing Bank shall, no later than the tenth day following the last day of each month, provide to the Agent a schedule of the Facility Letters of Credit issued by it showing the Issuance Date, account party, original face amount, amount (if any) paid thereunder, expiration date and the reference number of each Facility Letter of Credit outstanding at any time during such month and the aggregate amount (if any) payable by the Borrower to such Issuing Bank during the month pursuant to Section 2.15. Copies of such reports shall be provided promptly to each Bank by the Agent.

SECTION 13.09. INDEMNIFICATION; NATURE OF ISSUING BANK'S DUTIES. (a) In addition to amounts payable as elsewhere provided in this Article XIII, the Borrower hereby agrees to protect, indemnify, pay and save the Agent, each Issuing Bank and each Bank harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) arising from the claims of third parties against the Agent, any Issuing Bank or any Bank as a consequence, direct or indirect, of (i) the issuance of any Facility Letter of Credit other than, in the case of an Issuing Bank, as a result of its willful misconduct or gross negligence, or (ii) the failure of an Issuing Bank to honor a drawing under a Facility Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any government, court or other governmental agency or authority.

(b) As among the Borrower, the Banks, the Agent and each Issuing Bank, the Borrower assumes all risks of the acts and omissions of, or misuse of Facility Letters of Credit by, the respective beneficiaries of such Facility Letters of Credit. In furtherance and not in limitation of the foregoing, neither an Issuing Bank nor the Agent nor any Bank shall be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of the Facility Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Facility Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of a Facility Letter of Credit to comply fully with conditions required in order to draw upon such Facility Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, facsimile transmission or otherwise; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Facility Letter of Credit or of the proceeds thereof; (vii) for the misapplication by the beneficiary of a Facility Letter of Credit of the proceeds of any drawing under such Facility Letter of Credit; or (viii) for any consequences arising from causes beyond the control of the Agent, such Issuing Bank and the Banks including, without limitation, any act or omission, whether rightful or wrongful, of any government, court or other governmental agency or authority. None of the above shall affect, impair, or prevent the vesting of any of such Issuing Bank's rights or powers under this Section 13.09.

(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by an Issuing Bank under or in connection with the Facility Letters of Credit or any related certificates, if taken or omitted in good faith,

shall not put such Issuing Bank, the Agent or any Bank under any resulting liability to the Borrower or relieve the Borrower of any of its obligations hereunder to any such Person, but the foregoing shall not relieve such Issuing Bank of its obligation to confirm that any documents required to be delivered under a Facility Letter of Credit appear to have been delivered in compliance and that they appear to comply on their face with the requirements of such Facility Letter of Credit.

(d) Notwithstanding anything to the contrary contained in this Section 13.09, the Borrower shall have no obligation to indemnify an Issuing Bank under this Section 13.09 in respect of any liability incurred by an Issuing Bank arising primarily out of the willful misconduct or gross negligence of such Issuing Bank, as determined by a court of competent jurisdiction, or out of the wrongful dishonor by such Issuing Bank of a proper demand for payment made under the Facility Letters of Credit issued by such Issuing Bank, unless such dishonor was made at the request of the Borrower.

SECTION 13.10. DESIGNATION OR RESIGNATION OF ISSUING BANK. (a) Upon request by the Borrower and approval by the Agent, a Bank may at any time agree to be designated as an Issuing Bank hereunder, which designation shall be set forth in a written instrument or instruments delivered by the Borrower, the Agent and such Bank. The Agent shall promptly deliver to the other Banks a copy of such instrument or instruments. From and after such designation and unless and until such Bank resigns as an Issuing Bank in accordance with Section 13.10(b), such Bank shall have all of the rights and obligations of an Issuing Bank hereunder.

(b) An Issuing Bank shall continue to be the Issuing Bank unless and until (i) it shall have given the Borrower and the Agent notice that it has elected to resign as Issuing Bank and (ii) unless there is, at the time of such notice, at least one other Issuing Bank, another Bank shall have agreed to be the replacement Issuing Bank and shall have been approved in writing by the Agent and the Borrower. A resigning Issuing Bank shall continue to have the rights and obligations of the Issuing Bank hereunder solely with respect to Facility Letters of Credit theretofore issued by it notwithstanding the designation of a replacement Issuing Bank hereunder, but upon its notice of resignation (or, if at the time of such notice, there is not at least one other Issuing Bank, then upon such designation of a replacement Issuing Bank), the resigning Issuing Bank shall not thereafter issue any Facility Letters of Credit (unless it shall again thereafter be designated as an Issuing Bank in accordance with the provisions of this Section 13.10). The assignment of, or grant of a participation interest in, all or any part of its Commitment or Loans by a Bank that is also the Issuing Bank shall not constitute an assignment or transfer of any of its rights or obligations as an Issuing Bank.

(c) Without limitation of the foregoing provisions of this Section 13.10, the parties hereto acknowledge that, prior to the Effective Date, PNC has issued, for the account of the Borrower, the Letters of Credit ("PNC Letters of Credit") identified in Exhibit J hereto. Upon written notice delivered by PNC to the Agent (which notice may be given prior to, on or within thirty days after the Effective Date) that PNC has agreed to be an Issuing Bank hereunder, the parties hereto agree that (i) PNC shall be an Issuing Bank with respect to the PNC Letters of Credit, (ii) the PNC Letters of Credit shall constitute Facility Letters of Credit hereunder and shall be subject to the provisions hereof relating to Facility Letters of Credit, (iii) Facility Letter of Credit Fees shall thereafter accrue and be payable with respect to the PNC Letters of Credit in

the amount and in a manner provided for in this Agreement and (iv) PNC shall also be an Issuing Bank with respect to Facility Letters of Credit thereafter issued by it in accordance with the terms of this Agreement.

SECTION 13.11. TERMINATION OF ISSUING BANK'S OBLIGATION. In the event that the Banks' obligations to make Loans terminate or are terminated as provided in Section 8.01, each Issuing Bank's obligation to issue Facility Letters of Credit shall also terminate.

SECTION 13.12. OBLIGATIONS OF ISSUING BANK AND OTHER BANKS. Except to the extent that a Bank shall have agreed to be designated as an Issuing Bank, no Bank shall have any obligation to accept or approve any request for, or to issue, amend or extend, any Letter of Credit, and the obligations of an Issuing Bank to issue, amend or extend any Facility Letter of Credit are expressly limited by and subject to the provisions of this Article XIII.

SECTION 13.13. ISSUING BANK'S RIGHTS. All of the representations, warranties, covenants and agreements of the Borrower to the Banks under this Agreement and of the Borrower under any other Loan Document shall inure to the benefit of each Issuing Bank (unless the context otherwise indicates). Without limitation of the foregoing, (a) the provisions of Section 2.15 (relating to capital adequacy) shall apply with respect to each Issuing Bank and its issuance of, or obligation to issue, Facility Letters of Credit; (b) the provisions of Section 2.18 (relating to statements of amounts payable and the survival of obligations) shall apply to each Issuing Bank; and (c) the provisions of Section 11.04 (relating to the Borrower's payment of costs, expenses, taxes, fees and other amounts) shall apply to such costs, expenses, taxes, fees and other amounts relating to the Facility Letters of Credit.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written.

BEAZER HOMES USA, INC.

By: _____

Name: _____
Title: _____

Address for Notices

5775 Peachtree Dunwoody Road
Suite C-550
Atlanta, Georgia 30342
Attention: President
Tel: (404) 250-3420
Fax: (404) 250-3428

BEAZER MORTGAGE CORPORATION

By: _____

Name: _____
Title: _____

BEAZER HOMES CORP.

By: _____

Name: _____
Title: _____

BEAZER HOMES SALES ARIZONA INC.

By: _____

Name: _____
Title: _____

BEAZER REALTY CORP.

By: _____

Name: _____
Title: _____

BEAZER/SQUIRES REALTY, INC.

By: _____

Name: _____
Title: _____

PANITZ HOMES REALTY INC.

By: _____

Name: _____
Title: _____

BEAZER HOMES HOLDINGS CORP.

By: _____

Name: _____
Title: _____

BEAZER HOMES TEXAS HOLDINGS, INC.

By: _____

Name: _____
Title: _____

BEAZER HOMES TEXAS, L.P.

By: BEAZER HOMES TEXAS HOLDINGS,
INC., its general partner

By: _____

Name: _____
Title: _____

BEAZER REALTY, INC.

By: _____

Name: _____
Title: _____

HOMEBUILDERS TITLE SERVICES, INC.

By: _____

Name: _____
Title: _____

TEXAS LONE STAR TITLE, INC.

By: BEAZER HOMES TEXAS HOLDINGS,
INC., its general partner

By: _____

Name: _____
Title: _____

Address for Notices to all

Guarantors

c/o Beazer Homes USA, Inc.
5775 Peachtree Dunwoody Road
Suite C-550
Atlanta, Georgia 30342
Attention: President
Tel: (404) 250-3420
Fax: (404) 250-3428

Commitment:

BANK ONE, NA

\$40,000,000.00

By: _____

Name: _____
Title: _____

Addresses for Notices

Bank One, NA
1 Bank One Plaza
Mail Suite 0151
Chicago, Illinois 60670
Attn: Mr. Chris Flynn
Telephone: (312) 732-3636
Telecopy: (312) 732-1117

Lending Office for Loans

Bank One, NA
1 Bank One Plaza
Mail Suite 0318
Chicago, Illinois 60670
Attention: Ms. Margie Smith
Telephone: (312) 732-5462
Telecopy: (312) 732-1158

Commitment:
\$40,000,000.00

GUARANTY FEDERAL BANK, F.S.B.

By: _____
Name: _____
Title: _____

Address for Notices

Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
Dallas, TX 75225
Attn: Mr. Randy Reid
Telephone: (214)360-2735
Telecopy: (214)360-1661

Lending Office for Loans

Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
Dallas, TX 75225
Attn: Ms. Martha Fleming
Telephone: (214) 360-8905
Telecopy: (214) 360-4854

BANK UNITED

Commitment:
\$35,000,000.00

By: _____
Name: _____
Title: _____

Address for Notices

Bank United
3200 Southwest Freeway
Suite 2001
Houston, TX 77027
Attn: Mr. Max R. Epperson
Telephone: (713) 543-7802
Telecopy: (713) 543-6986

Lending Office for Loans

Bank United
5963 La Place Court
Suite 202
Carlsbad, CA 92008
Attn: Mr. Tom Griffin
Telephone: (760) 804-8595
Telecopy: (760) 804-8590

COMERICA BANK

Commitment:
\$40,000,000.00

By: _____
David J. Campbell
Vice President

Address for Notices

Comerica Bank
500 Woodward Avenue, MC: 3256
Detroit, MI 48226
Attn: Mr. David J. Campbell
Telephone: (313)222-9306
Telecopy: (313)222-9295

Lending Office for Loans

Comerica Bank
500 Woodward Avenue, MC: 3256
Detroit, MI 48226
Attn: Ms. Betsy Branson
Telephone: (313) 222-5878
Telecopy: (313) 222-3697

AMSOUTH BANK

Commitment:
\$25,000,000.00

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Address for Notices

AmSouth Bank
AmSouth/Sonat Tower
CRE-9th Floor
1900 5th Avenue North
Birmingham, AL 35203
Attn: Mr. Ronny Hudspeth
Telephone: (205) 307-4427
Telecopy: (205) 326-4075

Lending Office for Loans

AmSouth Bank
AmSouth/Sonat Tower
CRE-9th Floor
1900 5th Avenue North
Birmingham, AL 35203
Attn: Ms. Wanda Pate
Telephone: (205) 326-4615
Telecopy: (205) 326-4075

SUNTRUST BANK, ATLANTA

Commitment:
\$20,000,000.00

By: _____
Name: Donald L. Gaudette
Title: Vice President

Address for Notices

SunTrust Bank
303 Peachtree Street, N.E.
3rd Fl.
Atlanta, GA 30308
Attn: Mr. Donald L. Gaudette
Telephone: (404) 658-4925
Telecopy: (404) 588-8505

Address for Loans

SunTrust Bank, Atlanta
25 Park Place
21st Fl.
Atlanta, GA 30303
Attn: Mr. Datanian Oldham
Telephone: (404) 588-8375
Telecopy: (404) 575-2730

PNC BANK, N.A.

Commitment:
\$25,000,000.00

By: _____

Name: _____
Title: _____

Address for Notices

PNC Bank, N.A.
Two Tower Center
Real Estate Banking Group-18th Fl.
Suite J3-JTTC-18-6
East Brunswick, New Jersey 08816
Attn: Mr. Douglas G. Paul
Telephone: (732) 220-3566
Telecopy: (732) 220-3744

Address for Loans

PNC Bank, N.A.
Two Tower Center
Real Estate Banking Group-18th Fl.
East Brunswick, New Jersey 08816
Attn: Ms. Jean Reis
Telephone: (732) 220-3582
Telecopy: (732) 220-3760

Commitment:

\$25,000,000

WACHOVIA BANK, N.A.

By: _____

Name: _____

Title: _____

Address for Notices

Wachovia Bank, N.A.
106 West Maple Street
Cumming, Georgia 30040
Attn: Mr. Jeffrey S. Hoza
Telephone: (770) 781-6430
Telecopy: (770) 781-6461

Address for Loans

Wachovia Bank, N.A.
106 West Maple Street
Cumming, GA 30040
Attn: Ms. Ruth Richardson
Telephone: (770) 781-6450
Telecopy: (770) 781-6461

AND

Ms. Cynthia Mitchell
Telephone: (404) 332-5195
Telecopy: (404) 332-1450

NOTE

\$ _____, _____

FOR VALUE RECEIVED, the undersigned, BEAZER HOMES USA, INC., a Delaware corporation (the "Borrower") HEREBY PROMISES TO PAY to the order of _____ (the "Bank") to BANK ONE, NA, as Agent, at the Agent's Office located at 1 Bank One Plaza, Chicago, IL, for the account of the applicable Lending Office of the Bank, in lawful money of the United States and in immediately available funds, the principal amount of _____ Dollars (\$_____) or the aggregate unpaid principal amount of all Loans made to the Borrower by the Bank pursuant to the Credit Agreement and outstanding on the Termination Date, whichever is less, and to pay interest from the date of this Note, in like money, at said office for the account of the applicable Lending Office, at the time and at a rate per annum as provided in the Credit Agreement. The Bank is hereby authorized by the Borrower to endorse on the schedule attached to the Note held by it the amount and type of each Loan and each renewal, conversion, and payment of principal amount received by the Bank for the account of the applicable Lending Office on account of its Loans, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of the Loans made by the Bank; PROVIDED, HOWEVER, that the failure to make such notation with respect to any Loan or renewal, conversion, or payment shall not limit or otherwise affect the obligations of the Borrower hereunder.

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Second Amended and Restated Credit Agreement, dated as of December 29, 1999, between the Borrower, the Guarantors, the Bank and certain other banks parties thereto (which, as it may be amended, modified, renewed or extended from time to time, is herein called the "Credit Agreement"). Terms used herein which are defined in the Credit Agreement shall have their defined meanings when used herein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity of this Note upon the terms and conditions specified in the Credit Agreement.

The Borrower hereby agrees to pay all reasonable costs and expenses (including reasonable attorney's fees and expenses) paid or incurred by the holder of this Note in the collection of any principal or interest payable under this Note or the enforcement of this Note or any other Loan Documents.

This Note shall be governed by the laws of the State of Illinois.

BEAZER HOMES USA, INC.

By: _____

Name: _____
Title: _____

SCHEDULE TO NOTE

Date Made or Paid	Type of Loan	Amount of Principal Paid	Unpaid Principal Balance of Note	Name of Person Making Notation
-----	-----	-----	-----	-----

Exhibit B
INTENTIONALLY OMITTED

Exhibit C

The opinion of Paul, Hastings, Janofsky & Walker LLP, to be rendered pursuant to Section 3.01(5) of the Second Amended and Restated Credit Agreement dated as of December 29, 1999 (the "Credit Agreement"; any capitalized term used herein and not otherwise defined herein shall have the meaning assigned to such term in the Credit Agreement) among Beazer Homes USA, Inc., the Original Guarantors and New Guarantors parties thereto, the banks whose names appear on the signature pages thereof and Bank One, NA, as Agent, shall be substantially to the following effect:

a) The Borrower and each of Beazer Mortgage Corporation, a Delaware corporation, Beazer Homes Corp., a Tennessee corporation, Beazer Homes Sales Arizona Inc., a Delaware corporation, Beazer Homes Holding Corp., a Delaware corporation, Beazer Homes Texas Holdings, Inc., a Delaware corporation, Beazer Homes Texas, L.P., a Delaware limited partnership, Homebuilders Title Services, Inc., a Delaware corporation, and Texas Lone Star Title, L.P., a Texas limited partnership (collectively the "Guarantors") is a corporation duly incorporated (or, in the case of Beazer Homes Texas, L.P., and Texas Lone Star Title, L.P., a partnership duly formed), validly existing, and in good standing under the laws of the jurisdiction of its incorporation or formation and has all requisite power and authority, corporate or otherwise, to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under the Loan Documents.

b) The execution and delivery by the Borrower and each Guarantor of the Loan Documents and the performance of their respective obligations thereunder have been duly authorized by all necessary corporate or other action and do not and will not (i) require any consent or approval of its stockholders, (ii) violate any provision of any law, rule or regulation (including, without limitation, Regulation G, T, U or X of the Board of Governors of the Federal Reserve System), or, to our knowledge, any order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it which violation would (x) impair its ability to perform its obligations under the Loan Documents or (y) have a material adverse effect on its financial condition, properties, or operations, or on its charter or by-laws, (iii) to our knowledge, result in a breach of or constitute a default under any indenture or lease or loan or credit agreement or any other material agreement or instrument to which it is a party or by which it or its properties may be bound or affected, or (iv) to our knowledge, result in, or require, the creation or imposition of any Lien upon any of the properties now owned or hereafter acquired by it.

c) No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary for the valid execution, delivery or performance by the Borrower and each Guarantor of the Loan Documents.

d) Except as have been disclosed to the Agent and the Banks in writing, there are to our knowledge no actions, suits or proceedings pending or threatened against the

Borrower or any Subsidiary or their properties before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, the probable outcome of which would have a material adverse effect on the consolidated financial condition, properties, or operations of the Borrower and its Subsidiaries taken as a whole.

In rendering the foregoing opinion with respect to Beazer Homes Corp., we have relied upon the opinion of Tune, Entrekin & White as to matters of Tennessee law.*

In rendering the foregoing opinion we express no opinion as to the effect (if any) of any laws of any jurisdiction, except those of the General Corporation Law and Revised Uniform Limited Partnership Act of the State of Delaware, the Federal laws of the United States [and, to the extent provided for in the preceding paragraph, the laws of Tennessee].

We express no opinion with respect to Beazer Realty Corp., a Georgia corporation, Beazer/Squires Realty, Inc., a North Carolina corporation, Panitz Homes Realty, Inc., a Florida corporation, or Beazer Realty, Inc., a New Jersey corporation.

* If the Agent elects to waive the requirement for the opinion from Tennessee counsel, this paragraph and the bracketed provisions of the next paragraph will be deleted, the reference to Beazer Homes Corp. will be deleted from paragraph (a) above and a reference to Beazer Homes Corp. will be added to the last paragraph below.

The opinion of Illinois counsel to be rendered pursuant to Section 3.01(5) of the Second Amended and Restated Credit Agreement dated as of December 29, 1999 (the "Credit Agreement"; any capitalized term used herein and not otherwise defined herein shall have the meaning assigned to such term in the Credit Agreement) among Beazer Homes USA, Inc., the Guarantors parties thereto, the banks whose names appear on the signature page thereof and Bank One, NA, as Agent, shall be substantially to the following effect:

The Loan Documents, when executed and delivered by the parties thereto, will constitute the legal, valid and binding obligations of the Borrower and each Guarantor enforceable against it in accordance with their respective terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally or by general equitable principles.

Counsel is a member of the Bar of the State of Illinois.

In rendering the foregoing opinion we express no opinion as to the effect (if any) of any laws of any jurisdiction, except those of the State of Illinois and the Federal laws of the United States.

Bank One, NA,
as Agent
1 Bank One Plaza
Chicago, Illinois 60670

Re: Second Amended and Restated Credit Agreement dated
as of December 29, 1999 (the "Credit Agreement")
among Beazer Homes USA, Inc., the Guarantors
parties thereto, and each of the banks ("Banks")
parties thereto

Ladies and Gentlemen:

We have acted as your special counsel in connection with the Credit Agreement. Terms used in the Credit Agreement are used herein as defined therein.

We have examined the opinions (the "Opinions") and other documents delivered by the Borrower and the Guarantors pursuant to Article III of the Credit Agreement. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as copies and the due authority of all persons executing the same. We have relied as to factual matters on the documents which we have reviewed, and as to matters of law covered by the Opinions on such Opinions. We are qualified to practice law in the State of Illinois and we do not purport to be experts on, or to express any opinion herein concerning, the laws of any other jurisdiction.

Subject to the exceptions expressed in the preceding paragraph and while we have not independently considered the matters covered by the Opinions to the extent necessary to enable us to express the conclusions therein stated, we are of the opinion that the Opinions and other documents delivered pursuant to Article III of the Credit Agreement are substantially responsive to the requirements of said Section. In that regard, we note that such Section does not require the Opinions to address matters relating to Beazer Realty Corp., a

Georgia corporation, Beazer/Squires Realty, Inc., a North Carolina corporation, Panitz Homes Realty, Inc., a Florida corporation, Beazer Realty, Inc., a New Jersey corporation, or, if so elected by the Agent, Beazer Homes Corp., a Tennessee corporation.

Very truly yours,

The opinion of local counsel to be rendered pursuant to Section 3.01(10) of the Second Amended and Restated Credit Agreement dated as of December 29, 1999, "Credit Agreement"; any capitalized term used herein and not otherwise defined herein shall have the meaning assigned to such term in the Credit Agreement) among Beazer Homes USA, Inc., the Guarantors parties thereto, the banks whose names appear on the signature page thereof and Bank One, NA, as Agent, shall be substantially to the following effect:

a) The Guarantor is a corporation duly incorporated validly existing, and in good standing under the laws of the jurisdiction of its incorporation, and has all requisite power and authority, corporate or otherwise, to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under the Loan Documents.

b) The execution and delivery by the Guarantor of the Credit Agreement and the performance of its obligations thereunder have been duly authorized by all necessary corporate or other action and do not and will not (i) require any consent or approval of its stockholders, or (ii) violate any provision of any law, rule or regulation (including, without limitation, Regulation G, T, U or X of the Board of Governors of the Federal Reserve System), or, to our knowledge, any order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it which violation would (x) impair its ability to perform its obligations under the Loan Documents (y) have a material adverse effect on its financial condition, properties, or operations, or on its charter or by-laws.

c) No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary for the valid execution, delivery or performance by the Guarantor of the Credit Agreement.

d) Except as have been disclosed to the Agent and the Banks in writing, there are to our knowledge no actions, suits or proceedings pending or threatened against the Guarantor or its properties before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, the probable outcome of which would have a material adverse effect on the consolidated financial condition, properties, or operations of the Guarantor.

Counsel is a member of the Bar of the State of _____.

In rendering the foregoing opinion we express no opinion as to the effect (if any) of any laws of any jurisdiction, except those of the State of _____, and the Federal laws of the United States.

CERTIFICATE

This Certificate is delivered pursuant to the Amended and Restated Credit Agreement dated as of December 29, 1999 among Beazer Homes USA, Inc., Bank One, NA as Agent, the Banks party thereto and the Guarantors party thereto (the "Credit Agreement"). Capitalized terms used herein and not defined herein shall have the meanings provided therefor in the Credit Agreement. This Certification is delivered in connection with [a notice requesting a Borrowing under Section 2.03 OR a notice requesting issuance, amendment or extension of a Facility Letter of Credit under Section 13.04]*.

The undersigned hereby certifies as follows:

1. The representations and warranties contained in Article IV of the Credit Agreement are correct on and as of the [date of such Borrowing OR Issuance Date]* as though made on and as of such date except to the extent that any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty is correct as of such earlier date.

2. No Default or Event of Default has occurred and is continuing and would result from [such Borrowing OR the issuance, amendment or extension of such Facility Letter of Credit]*.

3. Upon [such Borrowing OR the issuance, amendment or extension of such Facility Letter of Credit]*, the Permitted Senior Debt shall not exceed the Borrowing Base as set forth in the Borrowing Base Certificate delivered by the Borrower to the Agent as of the most recent Inventory Valuation Date, which Borrowing Base Certificate is true and correct as of such Inventory Valuation Date.

Date: _____

David J. Weiss

Executive Vice President and
Chief Financial Officer
Beazer Homes USA, Inc.

* Include appropriate portion of bracketed provision

Subsidiaries of Borrower

Subsidiary -----	State of Borrower's Incorporation -----	% Ownership -----
Beazer Mortgage Corporation	Delaware	100%
Beazer Homes Corp.	Tennessee	100%
Beazer Home Sales Arizona Inc.	Delaware	100%
Beazer Realty Corp.	Georgia	100%
Beazer/Squires Realty, Inc.	North Carolina	100%
Panitz Homes Realty, Inc.	Florida	100%
Beazer Homes Holdings Corp.	Delaware	100%
Beazer Homes Texas Holdings, Inc.	Delaware	100%
Beazer Homes Texas, L.P.	Delaware	99%(1)
Beazer Realty, Inc.	New Jersey	100%
Homebuilders Title Services, Inc.	Delaware	100%
Texas Lone Star Title, L.P.	Texas	99%(2)
Security Title Insurance Company, Inc.	Vermont	100%
United Home Insurance Corporation	Vermont	100%

 (1) The 99% interest is held by Beazer Homes Corp., and the remaining 1% is held by Beazer Homes Texas Holdings, Inc.

(2) The 99% interest is held by Beazer Home Sales Arizona Inc., and the remaining 1% is held by Beazer Homes Texas Holdings, Inc.

ASSIGNMENT AGREEMENT

This Assignment Agreement (this "Assignment Agreement") between _____ (the "Assignor") and _____ (the "Assignee") is dated as of _____, 19___. The parties hereto agree as follows:

1. PRELIMINARY STATEMENT. The Assignor is a party to a Credit Agreement (which, as it may be amended, modified, renewed or extended from time to time, is herein called the "Credit Agreement") described in Item 1 of Schedule 1 attached hereto ("Schedule 1"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement.

2. ASSIGNMENT AND ASSUMPTION. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement such that after giving effect to such assignment the Assignee shall have purchased pursuant to this Assignment Agreement the percentage interest specified in Item 3 of Schedule 1 of all outstanding rights and obligations under the Credit Agreement relating to the facilities listed in Item 3 of Schedule 1 and the other Loan Documents. The Commitment (or Loans, if the applicable Commitment has been terminated) purchased by the Assignee hereunder is set forth in Item 3 of Schedule 1.

3. EFFECTIVE DATE. The effective date of this Assignment Agreement (the "Effective Date") shall be the later of the date specified in Item 3 of Schedule 1 or two Business Days (or such shorter period agreed to by the Agent) after a Notice of Assignment substantially in the form of Exhibit 1 attached hereto has been delivered to the Agent. Such Notice of Assignment must include any consents required to be delivered to the Agent by Section 12.03 of the Credit Agreement (including the consent of the Agent). In no event will the Effective Date occur if the payments required to be made by the Assignee to the Assignor on the Effective Date under Sections 4 and 5 hereof are not made on the proposed Effective Date. The Assignor will notify the Assignee of the proposed Effective Date no later than the Business Day prior to the proposed Effective Date. As of the Effective Date, (i) the Assignee shall have the rights and obligations of a Bank under the Loan Documents with respect to the rights and obligations assigned to the Assignee hereunder and (ii) the Assignor shall relinquish its rights and be released from its corresponding obligations under the Loan Documents with respect to the rights and obligations assigned to the Assignee hereunder.

4. PAYMENTS, OBLIGATIONS. On and after the Effective Date, the Assignee shall be entitled to receive from the Agent all payments of principal, interest and fees with respect to the interest assigned hereby. The Assignee shall advance funds directly to the Agent with respect to all Loans and reimbursement payments made on or after the Effective Date with respect to the interest assigned hereby. [In consideration for the sale and assignment of Loans hereunder, (i) the Assignee shall pay the Assignor on the Effective Date, an amount equal to the principal amount of the portion of all ABR Loans assigned to the Assignee hereunder and

(ii) with respect to each LIBOR Loan made by the Assignor and assigned to the Assignee hereunder which is outstanding on the Effective Date, (a) on the last day of the Interest Period therefor or (b) on such earlier date agreed to by the Assignor and the Assignee or (c) on the date on which any such LIBOR Loan either becomes due (by acceleration or otherwise) or is prepaid (the date as described in the foregoing clauses (a), (b) or (c) being hereinafter referred to as the "Payment Date"), the Assignee shall pay the Assignor an amount equal to the principal amounts of the portion of such LIBOR Loan assigned to the Assignee which is outstanding on the Payment Date. If the Assignor and the Assignee agree that the Payment Date for such LIBOR Loan shall be the Effective Date, they shall agree to the interest rate applicable to the portion of such Loan assigned hereunder for the period from the Effective Date to the end of the existing Interest Period applicable to such LIBOR Loan (the "Agreed Interest Rate") and any interest received by the Assignee in excess of the Agreed Interest Rate shall be remitted to the Assignor. In the event interest for the period from the Effective Date to but not including the Payment Date is not paid by the Borrower with respect to any LIBOR Loan sold by the Assignor to the Assignee hereunder, the Assignee shall pay to the Assignor interest for such period on the portion of such LIBOR Loan sold by the Assignor to the Assignee hereunder at the applicable rate provided by the Credit Agreement. In the event a prepayment of any LIBOR Loan which is existing on the Payment Date and assigned by the Assignor to the Assignee hereunder occurs after the Payment Date but before the end of the Interest Period applicable to such LIBOR Loan, the Assignee shall remit to the Assignor the excess of the prepayment penalty paid with respect to the portion of such LIBOR Loan assigned to the Assignee hereunder over the amount which would have been paid if such prepayment penalty was calculated based on the Agreed Interest Rate. The Assignee will also promptly remit to the Assignor (i) any principal payments received from the Agent with respect to LIBOR Loans prior to the Payment Date and (ii) any amounts of interest on Loans and fees received from the Agent which relate to the portion of the Loans assigned to the Assignee hereunder for periods prior to the Effective Date, in the case of ABR Loans, or the Payment Date, in the case of LIBOR Loans, and not previously paid by the Assignee to the Assignor.]* In the event that either party hereto receives any payment to which the other party hereto is entitled under this Assignment Agreement, then the party receiving such amount shall promptly remit it to the other party hereto.

* THE PARTIES MAY INSERT ALTERNATIVE PAYMENT PROVISIONS IN LIEU OF THE PAYMENT TERMS INCLUDED IN THIS EXHIBIT.

5. FEES PAYABLE BY THE ASSIGNEE. [To the extent applicable, the Assignee shall pay to the Assignor a fee on each day on which a payment of interest or commitment fee is made under the Credit Agreement with respect to the amounts assigned to the Assignee hereunder (other than a payment of interest or commitment fee for the period prior to the Effective Date or, in the case of LIBOR Loans, the Payment Date, which the Assignee is obligated to deliver to the Assignor pursuant to Section 4 hereof). The amount of such fee shall be the difference between (i) the interest or fee, as applicable, paid with respect to the amounts assigned to the Assignee hereunder and (ii) the interest or fee, as applicable, which would have been paid with respect to the amounts assigned to the Assignee hereunder if each interest rate was ___ of 1% less than the interest rate paid by the Borrower or if the commitment fee was ____ of 1% less than the commitment fee paid by the Borrower, as applicable. In addition, the Assignee agrees to pay ____% of the recordation fee required to be paid to the Agent pursuant to the Credit Agreement in connection with this Assignment Agreement.]*

*THE PARTIES MAY INSERT ALTERNATIVE PAYMENT PROVISIONS IN LIEU OF THE PAYMENT TERMS INCLUDED IN THIS EXHIBIT.

6. REPRESENTATIONS OF THE ASSIGNOR: LIMITATIONS ON THE ASSIGNOR'S LIABILITY. The Assignor represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim created by the Assignor. It is understood and agreed that the assignment and assumption hereunder are made without recourse to the Assignor and that the Assignor makes no other representation or warranty of any kind to the Assignee. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) the due execution, legality, validity, enforceability, genuineness, sufficiency or collectibility of any Loan Documents, including without limitation, documents granting the Assignor and the other Banks a security interest in assets of the Borrower, any Subsidiary, or any Guarantor, (ii) any representation, warranty or statement made in or in connection with any of the Loan Documents, (iii) the financial condition or creditworthiness of the Borrower, any Subsidiary, or any Guarantor, (iv) the performance of or compliance with any of the terms or provisions of any of the Loan Documents, (v) inspecting any of the property, books or records of the Borrower, any Subsidiary, or any Guarantor, (vi) the validity, enforceability, perfection, priority, condition, value or sufficiency of any collateral securing or purporting to secure the Loans or (vii) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans or the Loan Documents.

7. REPRESENTATIONS OF THE ASSIGNEE. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of such financial statements requested by the Assignee and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement, (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Bank, (v) agrees that its payment instructions and notice instructions are as set forth in the attachment to Schedule 1, (vi) confirms that none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Loan Documents will not be "plan assets" under ERISA, [and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying that the Assignee is entitled to receive payments under the Loan Documents without deduction or withholding of any United States federal income taxes]* and (viii) represents and warrants that the assignment hereunder does not and will not, as of the effective date of such assignment, result in any increased costs or expenses, including without limitation pursuant to Section 2.14 or 2.15 of the Credit Agreement, payable by the Borrower or any Guarantor.

* TO BE INSERTED IF THE ASSIGNEE IS NOT INCORPORATED UNDER THE LAWS OF THE UNITED STATES, OR A STATE THEREOF.

8. INDEMNITY. The Assignee agrees to indemnify and hold the Assignor harmless against any and all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment Agreement.

9. SUBSEQUENT ASSIGNMENTS. After the Effective Date, the Assignee shall have the right pursuant to Section 12.03 of the Credit Agreement to assign the rights which are assigned to the Assignee hereunder to any entity or person, provided that (i) any such subsequent assignment does not violate any of the terms or conditions of the Loan Documents or any law, rule, regulation, order, writ, judgment, injunction or decree and that all consents required under the terms of the Loan Documents have been obtained and (ii) unless the prior written consent of the Assignor is obtained, the Assignee is not thereby released from its obligations to the Assignor hereunder, if any remain unsatisfied, including, without limitation, its obligations under Sections 4, 5 and 8 hereof.

10. REDUCTIONS OF AGGREGATE COMMITMENTS. If any reduction in the Aggregate Commitments (other than pursuant to Section 2.19(c) of the Credit Agreement) occurs between the date of this Assignment Agreement and the Effective Date, the percentage interest specified in Item 3 of Schedule 1 shall remain the same, but the dollar amount purchased shall be recalculated based on the reduced Commitment of the Assignor.

11. ENTIRE AGREEMENT. This Assignment Agreement and the attached Notice of Assignment embody the entire agreement and understanding between the parties hereto and supersede all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

12. GOVERNING LAW. This Assignment Agreement shall be governed by and construed in accordance with, the laws of the State of Illinois without regard to principles of conflict of laws.

13. NOTICES. Notices shall be given under this Assignment Agreement in the manner set forth in the Credit Agreement. For the purpose hereof the addresses of the parties hereto (until notice of a change is delivered) shall be the addresses set forth in the attachment to Schedule 1.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their duly authorized officers as of the date first above written.

[NAME OF ASSIGNOR]

By: _____

Title: _____

[NAME OF ASSIGNEE]

By: _____

Title: _____

SCHEDULE 1

to Assignment Agreement

1. Description and Date of Credit Agreement:
2. Date of Assignment Agreement: _____, 19__
3. Amounts (As of Date of Item 2 above):

	Facility 1*	Facility 2*	Facility 3*
	-----	-----	-----
a. Total of Commitments (Loans)** under Credit Agreement	\$_____	\$_____	\$_____
b. Assignee's Percentage of each Facility purchased under the Assignment Agreement***	_____%	_____%	_____%
c. Amount of Assigned Share in each Facility purchased under the Assignment Agreement	\$_____	\$_____	\$_____
d. Assignee's aggregate Commitment Amount (Loan Amount)*** Purchased Hereunder:	\$_____	\$_____	\$_____
e. Proposed Effective Date:	_____	_____	_____

Accepted and Agreed:

[NAME OF ASSIGNOR]

[NAME OF ASSIGNEE]

By: _____

By: _____

Title: _____

Title: _____

* Insert specific facility names per Credit Agreement
 ** If a Commitment has been terminated, insert outstanding Loans
 in place of Commitment
 *** Percentage taken to 10 decimal places

Attachment to SCHEDULE 1 to ASSIGNMENT AGREEMENT

Attach Assignor's Administrative Information Sheet, which must include notice address for the Assignor and the Assignee and the ABR Loan Lending Office address and the LIBOR Loan Lending Office address for the Assignee.

EXHIBIT 1
to Assignment Agreement
NOTICE
OF ASSIGNMENT

_____, 19__

To: [NAME OF BORROWER]*

[NAME OF AGENT]

From: [NAME OF ASSIGNOR] (the "Assignor")
[NAME OF ASSIGNEE] (the "Assignee")

1. We refer to that certain Credit Agreement (the "Credit Agreement") described in Item I of Schedule 1 attached hereto ("Schedule 1"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement.

2. This Notice of Assignment (this "Notice") is given and delivered to [the Borrower and]* the Agent pursuant to Section 12.03 of the Credit Agreement.

3. The Assignor and the Assignee have entered into an Assignment Agreement, dated as of _____, 19__ (the "Assignment"), pursuant to which, among other things, the Assignor has sold, assigned, delegated and transferred to the Assignee, and the Assignee has purchased, accepted and assumed from the Assignor the percentage interest specified in Item 3 of Schedule 1 of all outstanding rights and obligations under the Credit Agreement relating to the facilities listed in Item 3 of Schedule 1. The Effective Date of the Assignment shall be the later of the date specified in Item 5 of Schedule 1 or two Business Days (or such shorter period as agreed to by the Agent) after this Notice of Assignment and any consents and fees required by Section 12.03 of the Credit Agreement have been delivered to the Agent, provided that the Effective Date shall not occur if any condition precedent agreed to by the Assignor and the Assignee has not been satisfied.

* TO BE INCLUDED ONLY IF CONSENT MUST BE OBTAINED FROM THE BORROWER PURSUANT TO SECTION 12.03 OF THE CREDIT AGREEMENT.

4. The Assignor and the Assignee hereby give to the Borrower and the Agent notice of the assignment and delegation referred to herein. The Assignor will confer with the

Agent before the date specified in Item 5 of Schedule 1 to determine if the Assignment Agreement will become effective on such date pursuant to Section 3 hereof, and will confer with the Agent to determine the Effective Date pursuant to Section 3 hereof if it occurs thereafter. The Assignor shall notify the Agent if the Assignment Agreement does not become effective on any proposed Effective Date as a result of the failure to satisfy the conditions precedent agreed to by the Assignor and the Assignee. At the request of the Agent, the Assignor will give the Agent written confirmation of the satisfaction of the conditions precedent.

5. The Assignor or the Assignee shall pay to the Agent on or before the Effective Date the processing fee of \$4,000.00 required by Section 12.03 of the Credit Agreement.

6. If any Notes are outstanding on the Effective Date, the Assignor and the Assignee request and direct that the Agent prepare and cause the Borrower to execute and deliver new Notes or, as appropriate, replacement Notes, to the Assignor and the Assignee. The Assignor and, if applicable, the Assignee each agree to deliver to the Agent the original Note received by it from the Borrower upon its receipt of a new Note (or replacement Note) in the appropriate amount, whereupon such original Note shall be marked "canceled" and returned to the Borrower.

7. The Assignee advises the Agent that notice and payment instructions are set forth in the attachment to Schedule 1.

8. The Assignee hereby represents and warrants that none of the funds, monies, assets or other consideration being used to make the purchase pursuant to the Assignment Agreement are "plan assets" as defined under ERISA and that its rights, benefits, and interests in and under the Loan Documents will not be "plan assets" under ERISA.

9. The Assignee authorizes the Agent to act as its agent under the Loan Documents in accordance with the terms thereof. The Assignee acknowledges that the Agent has no duty to supply information with respect to the Borrower or the Loan Documents to the Assignee until the Assignee becomes a party to the Credit Agreement.*

* MAY BE ELIMINATED IF ASSIGNEE IS A PARTY TO THE CREDIT AGREEMENT PRIOR TO THE EFFECTIVE DATE.

NAME OF ASSIGNOR

NAME OF ASSIGNEE

By: _____

By: _____

Title: _____

Title: _____

ACKNOWLEDGED [AND CONSENTED TO] BY (NAME OF AGENT)

ACKNOWLEDGED [AND CONSENTED TO] BY (NAME OF BORROWER)

By: _____

By: _____

Title: _____

Title: _____

[Attach photocopy of Schedule 1 to Assignment)

BEAZER HOMES USA, INC.

1999 STOCK INCENTIVE PLAN

SECTION 1. - ESTABLISHMENT AND PURPOSES

Beazer Homes USA, Inc. hereby establishes the Beazer Homes USA, Inc. 1999 Stock Incentive Plan (the "Plan").

The purposes of the Plan are to promote the interests of Beazer Homes USA, Inc. (the "Company") and its Shareholders by aiding the Company in attracting and retaining management personnel capable of assuring the future success of the Company, to offer such personnel incentives to put forth maximum efforts for the success of the Company's business and to afford such personnel an opportunity to acquire a proprietary interest in the Company.

SECTION 2. - DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

2.1 "Affiliate" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the Committee.

2.2 "Award" shall mean an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.

2.3 "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

2.4 "Board" shall mean the Board of Directors of the Company

2.5 "Change in Control" shall mean: (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange 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 20% or more of either (A) the then outstanding Shares the ("Outstanding Shares") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Voting Securities"); PROVIDED, HOWEVER, that for purposes of this paragraph (i), the following acquisitions shall not constitute a Change of Control; (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (4) any acquisition by any corporation pursuant to a

transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 2.5; or

(ii) 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 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 was 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

(iii) 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, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Shares and the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then Outstanding Shares 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, (B) 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 (C) 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

(iv) Approval by the Shareholders of a complete liquidation or dissolution of the Company.

2.6 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time and any regulations promulgated thereunder.

2.7 "Committee" shall mean the Stock Option and Incentive Committee or any other Committee of the Board designated by the Board to administer the Plan which shall consist of at least two members appointed from time to time by the Board. Each Committee member must qualify as an "outside director" as defined in the Treasury Regulation Section 1.162-27(e)(3) (or any successor rule) and, to the extent necessary to qualify Awards hereunder for exemption from the

liability provisions of Rule 16b-3, a "non-employee director" as defined in Reg. Section 240.16b-3(b)(3) (or any successor rule) of the Securities Exchange Act of 1934.

2.8 "Common Stock" shall mean the common stock, \$0.01 par value, of the Company.

2.9 "Company" shall mean Beazer Homes USA, Inc., a Delaware corporation, and any successor corporation.

2.10 "Director" shall mean a member of the Board of Directors of the Company.

2.11 "Disability" shall mean disability as defined in Participant's Award Agreement with the Company.

2.12 "Dividend Equivalent" shall mean any right granted under Section 6.4 of the Plan.

2.13 "Eligible Person" shall mean any employee, officer, consultant or independent contractor providing services to the Company or any Affiliate or a Director, in each case, who the Committee determines to be eligible.

2.14 "Fair Market Value" shall mean the fair market value of any property (including but not limited to Shares or other security) determined by a valuation method as established by the Committee from time to time. However, that for purposes of the Plan, the Fair Market Value of Shares on any day on which Shares are traded on the New York Stock Exchange ("NYSE") or any other nationally recognized stock exchange or automated quotation system shall be the closing price of such Shares as reported by the NYSE or such other exchange or quotation system.

2.15 "Incentive Stock Option" shall mean an Option granted under Section 6.1 of the Plan that meets the requirements of Section 422 of the Code.

2.16 "Non-Qualified Stock Option" shall mean an Option granted under Section 6.1 of the Plan that is not intended to be an Incentive Stock Option.

2.17 "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option and shall include Restoration Options.

2.18 "Other Stock-Based Award" shall mean any right granted under Section 6.6 of Plan.

2.19 "Participant" shall mean an Eligible Person who has been granted an Award under the Plan.

2.20 "Performance Award" shall mean any right granted under Section 6.5 of the Plan.

2.21 "Person" shall mean any individual, corporation, limited liability company, partnership, association or trust.

2.22 "Plan" shall mean the Beazer Homes USA, Inc. 1999 Stock Incentive Plan, as amended from time to time.

2.23 "Restoration Option" shall mean any Option granted under Section 6.1(d) of the Plan.

2.24 "Restricted Stock" shall mean any Share granted to a Participant under Section 6.3 of the Plan.

2.25 "Restricted Stock Unit" shall mean a bookkeeping entry representing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date as granted under Section 6.3 of the Plan. A holder of Restricted Stock Units shall not be entitled to voting rights on any Shares to which the Restricted Stock Units relate.

2.26 "Rule 16b-3" shall mean Rule 16b-3 promulgated under the Securities Exchange Act of 1934 as amended from time to time and the related regulations.

2.27 "Shares" shall mean shares of Common Stock or such other securities or property, as may be the subject of Awards pursuant to an adjustment made under Section 9.1 of the Plan.

2.28 "Shareholder" shall mean a shareholder of the Company.

2.29 "Stock Appreciation Right" shall mean any right granted under Section 6.2 of the Plan.

2.30 "Tandem Option" shall mean a Non-Qualified Stock Option issued in tandem with a Stock Appreciation Right.

2.31 "Termination of Employment" shall mean a termination of employment from the Company and all Affiliates.

SECTION 3. - ADMINISTRATION

3.1 POWER AND AUTHORITY OF THE COMMITTEE. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan, (iii) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) each Award, (iv) determine the terms, conditions and restrictions of any Award or Award Agreement, (v) amend the terms and conditions of any Award or Award Agreement and accelerate the exercisability of Options or the lapse of restrictions relating to Restricted Stock, Restricted Stock Units or other Awards, (vi) accept the surrender of outstanding Awards and substitute new Awards, (vii) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or cancelled, forfeited or suspended, (viii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee, (ix) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan, (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or beneficiary of any Award and any employee of the Company or any Affiliate.

3.2 DELEGATION. The Committee may delegate its powers and duties under the Plan to one or more officers of the Company or any Affiliate or a committee of such officers, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion.

SECTION 4. - SHARES AVAILABLE FOR AWARDS; ANNUAL LIMIT ON GRANTS

4.1 SHARES AVAILABLE. Subject to adjustments as provided in Section 9.1, the number of shares available for the granting of Awards under the Plan shall be 700,000 of which not more than 150,000 Shares shall be granted as Restricted Stock. Shares to be issued under the Plan may be either Shares which have been reacquired and are held in treasury or Shares which are authorized but unissued. If any Shares covered by an Award (or to which an Award relates) are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then subject to Rule 16b-3, the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting of Awards under the Plan. Shares not issued because the holder of any Tandem Option exercises the accompanying Stock Appreciation Right shall not be subject to future Award by the Committee.

Notwithstanding the foregoing, the number of Shares available for granting Incentive Stock Options under the Plan shall not exceed 700,000, subject to adjustment as provided in Section 9.1 of the Plan and Section 422 or 424 of the Code or any successor provisions.

4.2 MAXIMUM ANNUAL AWARDS TO AN ELIGIBLE PERSON. The maximum number of Shares with respect to which Options and Stock Appreciation Rights may be issued under the Plan to an Eligible Person in a calendar year is 150,000, subject to adjustment as provided in Section 9.1 of the Plan. In addition, the maximum number of Shares under a Performance Award that may be issued in any calendar year is 75,000, subject to adjustment as provided in Section 9.1 of the Plan.

4.3 ACCOUNTING FOR AWARDS. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of the grant of such Award against the aggregate number of Shares available under the Plan.

SECTION 5. - PARTICIPATION

Participation in the Plan shall be limited to those Eligible Persons selected by the Committee. Awards may be granted to such Eligible Persons and for such number of Shares as the Committee shall determine, subject to the limitations in Section 4. An Award of any type made in any one year to an Eligible Person shall neither guarantee nor preclude a further Award of that or any other type to such Eligible Person in that year or subsequent years other than as provided in Section 4.

In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account such factors as the Committee, in its discretion, shall deem relevant (such factors may include the nature of the services rendered by the Eligible Person and the Eligible Person's present and potential contributions to the success of the Company). Notwithstanding the foregoing, an Incentive Stock Option (a) may only be granted to full or part-time employees as defined by Section 3401(c) of the Code (including officers and directors who are also employees) of the Company and (b) shall not be granted to an employee of an Affiliate which is not a "subsidiary corporation" of the Company (as defined in Section 424(f) of the Code or any successor provision).

SECTION 6. - AWARDS

6.1 OPTIONS. The Committee is authorized to grant Options to Participants. Options granted shall be subject to the terms and conditions forth in this Section 6.1, the other provisions of the Plan, and any additional terms and conditions as the Committee shall determine (including those specified in the Award Agreement) which are not inconsistent with the provisions of the Plan.

(a) EXERCISE PRICE. The price per Share purchasable under an Option shall be determined by the Committee. Such purchase price per share shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option (110% in the case of an Incentive Stock Option granted to a 10-percent Shareholder as defined in Code Section 422(c)(5)). Subject to Section 9.1, in no event may the Committee reduce the exercise price of an Option after the original grant date.

(b) OPTION TERM. Subject to the provisions of the Plan, the term of each Option shall be specified by the Committee. In no event shall an Incentive Stock Option be exercisable more than ten years (5 years in the case of a 10-percent Shareholder within the meaning of Code Section 422(c)(5)) from the date it is granted. Prior to the exercise of the Option and delivery of the stock subject to the Option, a Participant shall not have any rights to receive any dividends or be entitled to any voting rights on any stock represented by outstanding Options.

(c) TIME AND METHOD OF EXERCISE OF OPTIONS. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method(s) by which and the form(s) in which payment of the exercise price may be made or deemed to be made (including, without limitation, cash, Shares, promissory notes, other securities, other Awards, other property or any combination thereof having a Fair Market Value on the exercise date equal to the relevant exercise price).

(d) RESTORATION OPTIONS. The Committee may grant Restoration Options, separately or together with another Option to an Eligible Person. An Award of Restoration Options shall be subject to the terms and conditions established by the Committee and any applicable requirements of Rule 16b-3 or any other applicable law. Any such Award is contingent on Participant as the Holder of an option ("Original Option") paying the exercise price of the Original Option. The Restoration Option would be an Option to purchase at 100% Fair Market Value as of the date of exercise of the Original Option, a number of Shares not exceeding the sum of (i) the number of Shares so provided as consideration upon the exercise of the Original Option and (ii) the number of Shares, if any, tendered or withheld as payment of the amount to be withheld under applicable tax laws in connection with the exercise of the Original Option pursuant to the relevant Plan provisions or Original Option Award Agreement. The Restoration Option may not be exercised until the shares acquired upon exercise of the Original Option are held for a period of at least one year and the term of the Restoration Option shall not extend beyond the term of the Original Option. Restoration Options may be granted with respect to Options previously granted under the Plan or any other stock option plan of the Company, and may be granted in connection with any Option granted under the Plan or any other stock option plan of the Company at the time of such grant.

(e) EARLY TERMINATION OF OPTION. The rules regarding the exercise and/or termination of Options upon a Participant's Disability, death, Termination of Employment or ceasing to be a Director will be provided in Participant's Award Agreement with the Company.

(f) CHANGE OF CONTROL. The exercise of Options in the event of a Change in Control will be treated as provided in Participant's Award Agreement with the Company.

(g) OTHER RESTRICTIONS ON INCENTIVE STOCK OPTIONS. The terms and conditions of any Incentive Stock Options granted under this Plan shall comply with Code Section 422. The aggregate Fair Market Value (determined as of the grant date) of Shares subject to Incentive Stock Options exercisable by any Participant in any calendar year under this Plan or any other plan of the Company or any Affiliate or any related corporation (as defined in the applicable regulations under the Code) may not exceed \$100,000 or such higher amount as may be

permitted from time to time under Section 422 of the Code. To the extent that such aggregate Fair Market Value exceeds \$100,000 (or, applicable higher amount), such Options shall be treated as Options which are not Incentive Stock Options.

6.2 STOCK APPRECIATION RIGHTS. Subject to Section 4, the Committee is authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer upon the holder a right to receive, upon exercise of the right related to one share, an amount in cash equal of the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right.

Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, methods of settlement, and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

6.3 RESTRICTED STOCK AND RESTRICTED STOCK UNITS. The Committee is authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants under the terms set forth in this Section 6.3, the other Plan provisions and with such additional conditions and restrictions as the Committee may impose which are not inconsistent with provisions of the Plan.

(a) RESTRICTIONS. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee imposes which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate. The Award Agreement for an Award of Restricted Stock or Restricted Stock Units shall specify the applicable restrictions on such Shares, if any, the duration of such restrictions, and the time or times at which such restrictions shall lapse with respect to all or a specified number of shares that are part of the Award. In addition, the Committee may specify certain performance criteria, the attainment of which will accelerate the lapse of the applicable

restrictions. Notwithstanding the foregoing, the Committee may reduce or shorten the duration of any restriction applicable to any shares awarded to any Participant under the Plan.

(b) CERTIFICATES. Any Award of Restricted Stock may be evidenced in such manner as the Committee may deem appropriate, including, but not limited to, book-entry registration or issuance of a stock certificate or certificates subject to forfeiture if the restrictions do not lapse. In the event a stock certificate is issued: (1) the certificate shall be registered in the name of Participant and shall bear a legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock and (2) shall be held by the Company. Except as otherwise provided by the Committee, during such period of restriction Participant shall have all of the rights of a Shareholder, including but not limited to the rights to receive dividends (or dividend equivalents) and to vote. If shares are issued only upon lapse of restrictions, the Committee may provide that Participant will be entitled to receive any amounts per share pursuant to any dividend or distribution paid by the Company on its Common Stock to Shareholder of record after the Award date and prior to the issuance of the Shares. In the case of Restricted Stock Units, no shares shall be issued at the time such Awards are granted.

(c) FORFEITURE. Rules regarding the forfeiture of Restricted Stock or Restricted Stock Units subject to restrictions upon a Change of Control, or the Participant's Disability, death, Termination of Employment or ceasing to be a Director will be determined in accordance with Participant's Award Agreement with the Company.

(d) LAPSE OF RESTRICTIONS. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after the restrictions on the Restricted Stock have expired, lapsed or been waived. After the expiration, lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units, Shares related to such Restricted Stock Units shall be issued and delivered to the holders of the Restricted Stock Units in accordance with such terms as may be specified by the Committee.

6.4 DIVIDEND EQUIVALENTS. The Committee is authorized to grant to Participants Awards of Dividend Equivalents under which the holders thereof shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined by the Committee, in its discretion) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to the number of Shares determined by the Committee. Such amounts shall be payable on the date or dates as determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan and any applicable Award Agreement, such Awards may have such terms and conditions as the Committee shall determine.

6.5 PERFORMANCE AWARDS. The Committee is authorized to grant Performance Awards to Participants. Once established, the Committee shall not have discretion to modify the criteria for receiving a Performance Award except with respect to any discretion specifically granted to the Committee under this Plan. Subject to the terms of the Plan and any applicable Award Agreement, a Performance Award granted under the Plan may be an Award of Common Stock, Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units (or any other right, the value of which is determined by reference to Shares) and such Award may be payable in cash, Shares, other securities or other property. The value of such Performance Awards shall be determined by the Committee and the Performance Awards shall be payable to, or exercisable by, Participant, in whole or in part, upon the achievement of the performance goals during the applicable measurement period specified by the Committee.

(a) AMOUNT OF PERFORMANCE AWARDS. At the end of the measurement period, the Committee shall determine the percentage, if any, of the Performance Awards granted to Participant for that measurement period that are earned by Participant as his Performance Award. That percentage shall be based on the degree to which the performance goals for that measurement period are satisfied. The formula for determining the correlation between the percentages of the Performance Awards earned and the level of performance for a measurement period shall be established in writing by the Compensation Committee at the time the performance goals are determined. Prior to the payment of any Performance Awards, the

Compensation Committee must certify the degree of attainment of the applicable performance goals.

(b) PERFORMANCE GOALS. Performance goals used to compute Performance Awards shall be based on the Company's business planning process and shall be adopted by the Committee in writing either (1) prior to the beginning of the measurement period to which they apply or (2) not later than 90 days after the commencement of the measurement period provided that at such time the outcome of the performance goals is substantially uncertain. The performance goals shall be comprised of one or more of the following performance measures: (1) total return to Shareholders, (2) cash flow, (3) return on assets, capital, equity or sales, (d) stock price, and (e) earnings per share. Any such performance goals and the applicable performance measures will be determined by the Committee at the time of grant and reflected in a written Award Agreement.

(c) COMPLIANCE WITH SECTION 162(M). All payments under Performance Awards will be designed to satisfy the exception under Section 162(m) of the Code, and related regulations for performance-based compensation, and all Awards hereunder shall be subject to the limitations of Section 162(m).

6.6 OTHER STOCK-BASED AWARDS. The Committee is authorized, to the extent permitted under Rule 16b-3 and other applicable law, to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, Shares or other securities delivered to Participant pursuant to a purchase right granted under this Section 6.6 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, (including, without limitation, cash, Shares, promissory notes, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

6.7 GENERAL.

(a) CONSIDERATION FOR AWARDS. Except in the case of Awards issued in connection with compensation that has been deferred or an Award issued pursuant to Section 6.6, Awards shall be granted for no cash consideration or such minimal cash consideration as may be required by applicable law.

(b) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate, may be granted either at the same time or at a different time from the grant of such other Award or awards.

(c) FORMS OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and of any applicable Award Agreement, payment or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, promissory notes, other securities, other Awards, or other property, or any combination thereof), and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installments or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(d) CORRECTION OF DEFECTS, OMISSIONS, AND INCONSISTENCIES. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 7. - TRANSFERABILITY

7.1 GENERAL. Except as provided in Section 7.2, no Award granted under the Plan shall be transferable by Participant otherwise than by will or the laws of descent and distribution. Any attempted pledge, alienation, attachment, assignment or encumbrance of an Award that is not specifically authorized in accordance with Section 7.2 shall be void.

Each Award or right under an Award may be exercised during Participant's lifetime only by Participant, his permitted transferee under Section 7.2 or if permissible under applicable state law Participant's guardian or legal representative. However, the Committee may permit Participant to designate, in the manner specified by the Committee, a beneficiary or beneficiaries to exercise the right of Participant and receive any property distributable with respect to an Award upon the death of Participant.

7.2 PERMITTED TRANSFERS. The Committee may, in its discretion, authorize all or a portion of an Award of Non-Qualified Stock Options to be granted to be on terms which permit transfer by Participant to a "Family Member" (as defined below), provided the transfer is through a gift or a domestic relations order. For purposes of this Section 7.2, "Family Member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, a trust for the exclusive benefit of these persons and any other entity owned solely by these persons. The Award Agreement pursuant to which such Options are granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Section 7.2. The terms of any such transferred Award shall continue to be applied with respect to Participant, following which the Award shall be exercisable by the Transferee only to the extent and for the periods during which that would have applied to Participant.

SECTION 8 . - LISTING AND REGISTRATION

All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the Shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

SECTION 9. - ADJUSTMENTS; BUSINESS COMBINATIONS

9.1 ADJUSTMENT UPON CORPORATE TRANSACTION. In the event of (a) dividend or other distribution (whether in the form of cash, Shares, other securities or other property), (b) recapitalization, (c) stock split, (d) reverse stock split, (e) reorganization, (f) merger, (g) consolidation, (h) split-up, (i) spin-off, (j) combination, (k) repurchase or exchange of Shares or other securities of the Company, (l) issuance of warrants or other rights to purchase Shares or other securities of the Company or (m) other similar corporate transaction or event affects the Shares, the Committee may determine that an adjustment would be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. In this event, the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number, type and issuer of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number type and issuer of Shares (or other securities or other property) subject to outstanding Awards and (iii) the purchase or exercise price with respect to any Award; provided, however, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number.

9.2 LIABILITY OF SURVIVOR. In the event of any corporate reorganization or transaction including any event described in Section 9.1, the surviving entity or successor corporation shall be bound by the terms and conditions of the provisions of this Plan and any Awards issued under this Plan.

SECTION 10. - TERMINATION AND MODIFICATION OF THE PLAN

10.1 GENERAL. Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the Plan or an Award Agreement may be terminated or modified as specified in this Section 10.

10.2 AMENDMENTS TO THE PLAN. The Board without further approval of the Shareholders may amend, alter, suspend, discontinue or terminate the Plan. Notwithstanding the foregoing the Board may condition any amendment and provide that no modification shall become effective without prior approval of the Shareholders if Shareholder approval would be required for:

- (i) continued compliance with Rule 16b-3 of the Securities and Exchange Commission;
- (ii) compliance with the rules and regulations of the New York Stock Exchange or any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company;
- (iii) the granting of Incentive Stock Options under the Plan, or (iv) continued compliance with Section 162(m) of the Code.

10.3 AMENDMENTS TO AWARDS. The Committee may amend or modify the grant of any outstanding Award in any manner to the extent that the Committee would have had the authority to make such Award as so modified or amended including, but not limited to, a change of the date or dates as of which (a) an Option becomes exercisable or (b) Restrictions on Shares are to be removed. No modification may be made that would materially adversely affect any Award previously made under the Plan without the approval of Participant or holder or beneficiary.

10.4 OTHER AMENDMENT. The Committee shall be authorized to make minor or administrative modifications to the Plan and Awards as well as modifications to the Plan and Awards that may be dictated by requirements of federal or state laws applicable to the Company or that may be authorized or made desirable by such laws. The Committee may correct any

defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to continue the operation of the Plan.

SECTION 11. - INCOME TAX WITHHOLDING: TAX BONUSSES

11.1 WITHHOLDING. In order to comply with all applicable federal or state income tax laws or regulations, the Committee may take such action as it deems appropriate to ensure that all applicable federal, state and local payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Participant, are withheld or collected from such Participant. In order to assist Participant in paying all or a portion of the federal, state and local taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit Participant to satisfy such tax obligation by (a) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes; (b) delivering to the Committee Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value (on the date the tax is withheld) equal to the amount of such taxes (c) delivering to the Company cash, check (bank check, certified check or personal check), money order or wire transfer equal to such taxes, (d) delivering to the Company the full amount of taxes due in a combination of cash, and with the Company's approval, Participant's full recourse liability promissory note satisfying the requirements set forth in Participant's Award Agreement or (e) taking a loan under a loan program sponsored by the Company which permits a loan for such purposes and to Participant in accordance with the rules established from time to time by the Committee or the Board of the Company. Any election to have shares withheld must be made on or before the date that the amount of tax to be withheld is determined.

11.2 TAX BONUSSES. The Committee, in its discretion, shall have the authority, at the time of grant of any Award under this Plan or at any time thereafter, to approve cash bonuses to designated Participants to be paid upon their exercise or receipt of (or the lapse of restrictions relating to) Awards in order to provide funds to pay all or a portion of federal and state and local taxes due as a result of such exercise or receipt (or the lapse of such restrictions). The Committee shall have full authority in its discretion to determine the amount of any such tax bonus.

SECTION 12. - GENERAL PROVISIONS

12.1 NO RIGHTS TO AWARDS. No Eligible Person, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

12.2 AWARD AGREEMENTS. Each Eligible Person to whom a grant is made under the Plan shall enter into a written agreement with the Company that shall contain such provisions, consistent with the provisions of the Plan, as may be established by the Committee. No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company.

12.3 NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

12.4 NO RIGHT TO EMPLOYMENT. The grant of an Award shall not be construed as giving Participant the right to be retained in the employ of the Company or any Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Participant from employment free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

12.5 GOVERNING LAW. The validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award, shall be determined in accordance with applicable federal laws and the laws of the State of Georgia.

12.6 SEVERABILITY. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provisions shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

12.7 NO TRUST OR FUND CREATED. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

12.8 NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

12.9 LIMITATION ON BENEFITS. With respect to persons subject to Rule 16b-3, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under such Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

12.10 HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 13. - EFFECTIVE DATE

The Plan is effective upon the date of adoption by the Board subject to approval of Shareholders at the February 3, 2000 meeting of Shareholders. Unless previously terminated, the Plan shall terminate ten years from the effective date. Notwithstanding the prior sentence, an Award granted under this Plan may have terms or rights which may extend beyond the date the Plan terminates and the rights of the Committee under the Plan and the Board to amend the Plan may likewise extend beyond the date of the Plan's termination.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing is the Plan adopted by the Board of Directors of the Company as of the second day of November, 1999.

Secretary

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is entered into as of the 7th day of November, 2000, by and between Beazer Homes USA, Inc., a Delaware corporation (the "Company") and C. Lowell Ball (the "Executive"), an individual resident in the State of Georgia.

W I T N E S S E T H:

WHEREAS, the Company wishes to employ the Executive, and the Executive wishes to accept employment with the Company, on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the Company and Executive hereby agree as follows:

1. Employment.

1.1 EMPLOYMENT AND DUTIES. The Company hereby agrees to employ Executive for the Term (as hereinafter defined) as its Senior Vice President and General Counsel, subject to the direction of the Chief Executive Officer of the Company (the "CEO") and, in connection therewith, to perform such duties as he shall reasonably be directed by the CEO to perform. In performing such duties hereunder, Executive shall comply with the policies and procedures as adopted from time to time by the Board, shall give the Company the benefit of his special knowledge, skills, contacts and business experience, shall perform his duties and carry out his responsibilities hereunder in a diligent manner, shall be just and faithful in the performance of his duties and in carrying out his responsibilities and shall devote all of his business time, attention, ability and energy exclusively to the performance of his duties and responsibilities hereunder; PROVIDED, HOWEVER, that Executive may continue to serve in an Of Counsel position with the law firm described in the letter attached as Exhibit A hereto and, with the approval of the Board or the CEO, from time to time, serve, or continue to serve, on the board of directors of, and hold any other offices or positions in, companies or organizations, which, in the Board's or CEO's judgment, will not present any conflict of interest with the Company or any of its affiliates or divisions, or adversely affect the performance of Executive's duties pursuant to this Agreement. Executive hereby accepts such employment and agrees to render such services.

1.2 LOCATION. The principal location for performance of Executive's services hereunder shall be at the offices of Beazer Homes USA, Inc. which are currently located in Atlanta, Georgia, subject to reasonable travel requirements during the course of such performance. In the event circumstances require a change in such location to another city, Executive shall have not less than three (3) months advance notice of the effective date of the relocation.

2. EMPLOYMENT TERM.

2.1 TERM. The term of Executive's employment hereunder (the "Term") shall commence effective as of the date hereof and shall end on September 30, 2002 (the "Initial Term"), unless terminated or extended as provided herein; PROVIDED, HOWEVER; that the Term shall be extended and this Agreement shall be automatically renewed for successive one-year periods unless: (i) this Agreement is terminated as otherwise provided herein; or (ii) Executive or the Company provides written notice to the other of such party's desire not to extend this Agreement at least sixty (60) days prior to the expiration date of the Term of this Agreement pursuant to this Section 2.1. Upon receipt of notice of non-renewal from the Company pursuant to this Section 2.1, Executive shall become entitled to the payments required by Section 4.5 upon expiration of the then Term.

3. COMPENSATION AND BENEFITS.

3.1 CASH COMPENSATION.

(1) BASE SALARY. In consideration of Executive's services hereunder the Company shall pay Executive an aggregate base salary at an annualized rate, effective as of the date hereof (until adjusted as provided below), of \$175,000, payable, in each case, in such nearly equal installments as may be customary for executive officers employed by the Company (but not less frequently than monthly) or as may otherwise be agreed to between the Company and Executive, in arrears (the "Base Salary"). The Base Salary for each year shall be prorated according to the number of days in such year during which this Agreement is in effect. Commencing October 1, 2001 and on each October 1 thereafter, the Base Salary may be adjusted (upward or downward) by the Compensation Committee of the Board, taking into consideration Executive's performance, general cost of living increases, the salaries provided by comparable businesses, the financial condition of the Company and other similar matters.

(2) BONUSES; STOCK INCENTIVE PLANS. Executive will be eligible to participate in the Company's bonus and stock incentive plans (including, without limitation, the Company's 1999 Stock Incentive Plan) at the discretion of the Compensation Committee and the Stock Option and Incentive Committee of the Board. The amount and terms of, and the targets, conditions and restrictions applicable to each bonus or other incentive award shall be subject to the provisions of any such plan and of the applicable award letter duly executed and delivered by the Company.

3.2 PARTICIPATION IN BENEFIT PLANS. The payments provided in Section 3 hereof are in addition to any benefits to which Executive may be, or may become, entitled under any benefit plan or program of the Company for which key executives are or shall become eligible, including, without limitation, pension, if any, 401(k), life and disability insurance benefits and/or plans. Further, Executive shall be eligible to receive during the period of his employment under this Agreement, all benefits and emoluments for which key executives are eligible under every such plan or program to the extent permissible under the

general terms and provisions of such plans or programs and in accordance with the provisions thereof.

3.3 VACATION. Executive shall be entitled to twenty (20) working days of compensated vacation in each fiscal year, to be taken at times which do not unreasonably interfere with the performance of Executive's duties hereunder. Any unused vacation time from any fiscal year shall be subject to accumulation or forfeiture in accordance with Company policy as in effect from time to time.

3.4 EXPENSES. The Company will pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by him in the performance of his duties under this Agreement. Executive shall keep detailed and accurate records of expenses incurred in connection with the performance of his duties hereunder and reimbursement therefor shall be in accordance with policies and procedures to be established from time to time by the Board.

4. TERMINATION.

4.1 GENERAL. In addition to the right of either party to terminate this Agreement pursuant to Section 2 hereof, the Company shall have right to terminate the employment of Executive as set forth in this Section 4.

4.2 TERMINATION FOR CAUSE. In addition to any other remedies which the Company may have at law or in equity, the CEO may immediately terminate Executive's employment under this Agreement by giving Executive written notice of such termination upon or at any time following the occurrence of any of the following events, and each such termination shall constitute a termination for "cause":

- (1) Any act or failure to act (or series or combination thereof) by Executive done with the intent to harm in any material respect the interests of the Company or any affiliate thereof;
- (2) The commission by Executive of a felony;
- (3) The perpetration by Executive of a dishonest act or common law fraud against the Company or any affiliate thereof;
- (4) A grossly negligent act or failure to act (or series or combination thereof) by Executive detrimental in any material respect to the interests of the Company or any affiliate thereof;
- (5) The material breach by Executive of his agreements or obligations under this Agreement; or

- (6) The continued refusal to follow the directives of the CEO which are consistent with Executive's duties and responsibilities identified in Section 1.1 hereof.

Upon the early termination of Executive's employment under this Agreement by the Company for "cause" the Company shall pay to Executive (i) an amount equal to Executive's Base Salary accrued through the effective date of termination at the rate in effect at the time notice of termination is given, payable at the time such payment is due; and (ii) at the time such payments are due, all other amounts to which Executive is entitled hereunder (including expense reimbursement amounts accrued to the effective date of termination or amounts under any benefit plan of the Company, but expressly excluding any bonus or other incentive payment (or portion thereof) in respect of the fiscal year in which this Agreement is so terminated or any fiscal year of the Company thereafter), and, upon payment of such amounts, the Company shall have no further obligation to Executive under this Agreement.

4.3 DISABILITY OF EXECUTIVE. Subject to applicable law, if Executive shall become ill or be injured or otherwise become disabled or incapacitated such that, in the opinion of the Board, he cannot fully carry out and perform his duties hereunder, and such disability or incapacity shall continue for a period of forty-five (45) consecutive days, the Board may, at any time thereafter, by giving Executive prior written notice, fully and finally terminate his employment under this Agreement. Termination under this Section 4.3 shall be effective as of the date provided in such notice, which date shall not be fewer than ninety (90) days after such notice is delivered to Executive or his representative, and the Company shall pay Executive his Base Salary accrued to the effective date of termination at the rate in effect at the time of such notice, payable at the time such payment is due. Upon payment of (i) such accrued Base Salary; and (ii) all other amounts to which Executive may be entitled hereunder, including, without limitation, (A) subject to the terms of any such bonus or incentive award, any bonus or incentive payment to which the Executive would have been entitled pursuant to Section 3.1(b) hereof (prorated for the period up to the effective date of termination), provided the targets and other conditions applicable thereto are met, (B) any expense reimbursement amounts accrued to the effective date of termination, and (C) any amounts under any other benefit plan of the Company, in any case at the time such payments would otherwise have become due and payable in the absence of such termination, and the Company shall have no further obligation to Executive under this Agreement.

4.4 DEATH OF EXECUTIVE. This Agreement shall automatically terminate upon the death of Executive. Upon the early termination of this Agreement as a result of death, the Company shall pay Executive's estate: (i) an amount equal to Executive's Base Salary accrued through the effective date of termination at the rate in effect at the effective date of termination, payable at the time such payment is due; and (ii) all other amounts to which Executive is entitled hereunder, including, without limitation, (A) subject to the terms of any such bonus or incentive award, any bonus or incentive payment to which the Executive would have been entitled pursuant to Section 3.1(b) hereof (prorated for the period up to the effective date of termination), provided the targets and other conditions applicable

thereto are met, (B) any expense reimbursement amounts accrued to the effective date of termination, and (C) any amounts under any other benefit plan of the Company, in each case at the time such payments would otherwise have become due any payable in the absence of such termination, and the Company shall have no further obligations to Executive under this Agreement.

4.5 TERMINATION NOT OTHERWISE PROVIDED FOR. This Section 4.5 governs all terminations of Executive's employment hereunder which are not otherwise provided for in this Section 4 and expressly contemplates a termination of Executive without "cause", a termination of Executive by the Company by reason of retirement or termination by the Company by written notice of non-renewal of the Term pursuant to Section 2.1 hereof. Except as otherwise provided in Section 2.1, 4.2, 4.3 or 4.4, Executive's employment under this Agreement may be terminated by giving Executive written notice thereof, effective as of the date provided in such notice. Upon such termination of the employment of Executive, the Company shall pay to Executive: (i) an amount equal to Executive's Base Salary payable for the remainder of the Term at the time such payments would otherwise have become due and payable in the absence of such termination at the rate in effect on the date of termination or, if terminated by the Company pursuant to Section 2.1, at such rate for 180 days following the end of the Term; and (ii) all other amounts to which Executive is entitled, including (A) subject to the prior approval of the Compensation Committee of the Board of Directors of the Company (which approval shall not be unreasonably withheld) and subject to the terms of any such bonus or incentive award, any bonus or incentive payment to which the Executive would have been entitled pursuant to Section 3.1(2) hereof (prorated for the period up to the effective date of termination), provided the targets and other conditions applicable thereto are met, (B) any expense reimbursement amounts accrued to the effective date of termination, and (C) any amounts under any other benefit plan of the Company, in each case at the time such payments would otherwise have become due and payable in the absence of such termination, and the Company shall have no further obligations to Executive under this Agreement.

4.6 TERMINATION BY EXECUTIVE. Executive may, with or without cause, terminate his employment under this Agreement by giving the Company at least sixty (60) days' prior written notice of such termination (which may be waived by the Company), and after the effective date of such termination, the Company shall have no further obligation to Executive under this Agreement, including, without limitation, no obligation to pay any pro-rata amount of any bonus or incentive payment in respect of the period up to the date of termination; provided that if Executive terminates his employment after the end of a fiscal year but before payment of any bonus for such fiscal year, such bonus will be deemed earned as of the last day of such fiscal year and shall be paid in full following termination, within a reasonable period of time after the amount of such bonus has been finally determined.

5. EMPLOYMENT COVENANTS.

5.1 COVENANT NOT TO SOLICIT OR EMPLOY. Executive recognizes and acknowledges that the Company is placing its confidence and trust in Executive. Executive, therefore, covenants and agrees Executive shall not, either directly or indirectly, solicit for employment or employ any person employed by the Company at any time during the twelve (12)-month period immediately preceding such solicitation or employment, without the prior written consent of the Board.

This covenant shall apply for: (a) unless and until the Executive's employment under this Agreement is terminated prior to the scheduled end of the Term, the period beginning on November 7, 2000 and ending on the date which is 180 days after the scheduled end of the Term (as such Term may be extended from time to time pursuant to Section 2.1 hereof); (b) if the Executive's employment under this Agreement is terminated pursuant to Section 4.2, Section 4.3 or Section 4.6 hereof or for any other reason (other than as set forth in clause (c) below), the period beginning on November 7, 2000 and ending on the date which is 180 days after scheduled end of the Term (as such Term may be extended from time to time pursuant to Section 2.1 hereof); (c) if the Executive's employment under this Agreement is terminated without "cause" pursuant to Section 4.5 hereof, the period beginning on November 7, 2000 and ending on the date of the scheduled end of the Term (as such Term may be extended from time to time pursuant to Section 2.1 hereof); (d) if on or prior to the date of the scheduled end of the Term (as such Term may be extended from time to time pursuant to Section 2.1 hereof), the Executive rejects an offer by the Company to extend this Agreement pursuant to Section 2.1 hereof on reasonable terms, the period beginning on November 7, 2000 and ending on the date which is 180 days after the scheduled end of the Term (as such Term may be extended from time to time pursuant to Section 2.1 hereof); and (e) if the Company elects not to extend this Agreement pursuant to Section 2.1 hereof, the period beginning on November 7, 2000 and ending on the date which is 180 days after the scheduled end of the Term (as such Term may be extended from time to time pursuant to Section 2.1 hereof).

5.2 TRADE SECRETS AND CONFIDENTIAL INFORMATION. Executive recognizes and acknowledges that certain information including, without limitation, information pertaining to the financial condition of the Company, its systems, methods of doing business, agreements with customers or suppliers or other aspects of the Business of the Company or which is sufficiently secret to derive economic value from not being disclosed ("Confidential Information") may be made available or otherwise come into the possession of Executive by reason of his employment with the Company. Accordingly, Executive agrees that he will not (either during or after the term of his employment with the Company) disclose any Confidential Information to any person, firm, corporation, association or other entity for any reason or purpose whatsoever or make use to his personal advantage or to the advantage of any third party, of any Confidential Information, without the prior written consent of the Board. Executive shall, upon termination of employment, return to the Company all documents, diskettes, electronic or digital storage devices or any other items which reflect Confidential Information (including copies thereof). Notwithstanding anything heretofore stated in this Section 5.2, Executive's obligations under this Section 5.2 shall not, after

termination of Executive's employment with the Company, apply to information which has become generally available to the public without any action or omission of Executive (except that any Confidential Information which is disclosed to any third party by an employee or representative of the Company who is not authorized to make such disclosure shall be deemed to remain confidential and protectable by Executive under this Section 5.2).

5.3 RECORDS. All files, records, memoranda, documents, diskettes, electronic or digital storage devices or any other items regarding former, existing or prospective customers of the Company or relating in any manner whatsoever to Confidential Information or the Business of the Company (collectively, "Records"), whether prepared by Executive or otherwise coming into his possession, shall be the exclusive property of the Company. All Records shall be immediately placed in the physical possession of the Company upon the termination of Executive's employment with the Company, or at any other time specified by the Board. The retention and use by Executive of duplicates in any form of Records is prohibited after the Executive's employment with the Company. However, Executive may retain copies of general form documents created or generated by him or at his direction during his employment hereunder so long as they do not contain or reflect any Confidential Information or proprietary data, systems, processes or other information of the Company; provided that upon request, the Company may review and approve any copies of general form documents Executive intends to retain.

5.4 BREACH. Executive hereby recognizes and acknowledges that irreparable injury or damage shall result to the Company in the event of a breach or threatened breach by Executive of any of the terms or provisions of this Section 5, and Executive therefore agrees that the Company shall be entitled to an injunction restraining Executive from engaging in any activity constituting such breach or threatened breach. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to the Company at law or in equity for such breach or threatened breach, including but not limited to, the recovery of damages from Executive and, if Executive is an employee of the Company, the termination of his employment with the Company in accordance with the terms and provisions of this Agreement.

5.5 SURVIVAL. Notwithstanding the termination of the employment of Executive or the termination of this Agreement, the provisions of this Section 5 shall survive and be binding upon Executive unless a written agreement which specifically refers to the termination of the obligations and covenants of this Section 5 is executed by the Company.

6. SUCCESSORS; ASSIGNS.

6.1 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.

6.2 The Company shall have the right to assign this Agreement and to delegate all of its rights, duties and obligations hereunder to any entity which controls the Company, which the Company controls or which may be the result of the merger, consolidation, acquisition or reorganization of the Company and another entity. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

7. MISCELLANEOUS.

7.1 THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

7.2 Any notices to be given hereunder by either party to the other may be effected by personal delivery in writing, via facsimile transmission or by mail, registered or certified, postage prepaid with return receipt requested. Notices shall be addressed to the parties as follows:

If to the Company:	Beazer Homes USA, Inc. 5775 Peachtree Dunwoody Road Suite B-200 Atlanta, Georgia 30342 Attn: President Facsimile: 404-250-3428
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If to the Executive:	C. Lowell Ball 878 Birds Mill Marietta, Georgia 30067
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Any party may change his or its address by written notice in accordance with this Section 7.2. Notices delivered personally shall be deemed communicated as of actual receipt; notices sent via facsimile transmission shall be deemed communicated as of receipt by the sender of written confirmation of transmission thereof; mailed notices shall be deemed communicated as of three (3) days after proper mailing.

7.3 This Agreement supersedes any and all other prior or contemporaneous agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof and this Agreement contains all of the covenants and agreements between the parties with respect to employment of Executive by the Company.

7.4 The failure of the Executive or the Company 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 shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

7.5 Except as otherwise provided in Section 7.6 hereof, no amendment or modification of this Agreement shall be deemed effective unless and until executed in writing by each party hereto.

7.6 All agreements and covenants contained herein are severable and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto shall consider such agreement or covenant to be amended or modified with respect to duration and/or scope so as to comply with the orders of any such court or other legally constituted authority, and as to all other portions of such agreement or covenants they shall remain in full force and effect as originally written.

7.7 All headings set forth in this Agreement are intended for convenience only and shall not control or affect the meaning, construction or effect of this Agreement or of any of the provisions hereof.

7.8 All controversies which may arise between the parties hereto including, but not limited to, those arising out of or related to this Agreement shall be determined by binding arbitration applying the laws of the State of Delaware as set forth in Section 7.1 hereof. Any arbitration pursuant to this Agreement shall be conducted in New York City before the American Arbitration Association in accordance with its arbitration rules. The arbitration shall be final and binding upon all the parties (so long as the award was not produced by corruption, fraud or undue means) and the arbitrator's award shall not be required to include factual findings or legal reasoning. Nothing in this Section 7.8 will prevent either party from resorting to judicial proceedings if interim injunctive relief under the laws of the State of New York from a court is necessary to prevent serious and irreparable injury to one of the parties.

7.9 This Agreement may be executed via facsimile transmission signature and in counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

7.10 All matters to be determined by the Board pursuant to the terms of this Agreement shall be determined by the members of the Board or any duly authorized committee thereof.

7.11 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.

[signature page follows]

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED THIS EMPLOYMENT AGREEMENT AS OF THE 7TH DAY OF NOVEMBER, 2000.

C. Lowell Ball

BEAZER HOMES USA, INC.

By: -----

Name:

Title:

EMPLOYMENT AGREEMENT

AGREEMENT by and between Beazer Homes USA, Inc., a Delaware corporation (the "Company") and C. Lowell Ball (the "Executive"), dated as of the 7th day of November, 2000.

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 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 September 30, 2002; provided, however, that commencing on September 30, 2001, 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 hereof, 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 20% or more of either (x) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (y) 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: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) 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 "Change of Control Employment Period").

4. TERMS OF EMPLOYMENT.

(a) POSITION AND DUTIES. (i) During the Change of Control 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 Change of Control 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 and efficiently such responsibilities. During the Change of Control 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 Change of Control Employment Period, the Executive shall receive an annual base salary ("Change of Control 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. During the Change of Control Employment Period, the Change of Control Base Salary shall be reviewed 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 Change of Control Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Change of Control Base Salary shall not be reduced after any such increase and the term Change of Control Base Salary as utilized in this Agreement shall refer to Change of Control 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 Change of Control Base Salary, the Executive shall be awarded, for each fiscal year ending during the Change of Control Employment Period, an annual bonus (the "Change of Control Bonus") in cash at least equal to the Executive's highest annual bonus under the Company's incentive plans (including, without limitation, the Company's Value Created Incentive Plan (the "VCIP")), for the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of any such fiscal year) (the "Recent Annual Bonus"); provided, however, that if (A) the Executive did not receive an annual bonus during the last full fiscal year immediately preceding the Effective Date because the Executive was not employed by the Company for the whole of such year or (B) the Executive was not employed by the Company during any part of the last full fiscal year immediately preceding the Effective Date, the Change of Control Bonus shall at least equal the amount the Executive was to receive under the VCIP based on the Company's budget (as such budget was approved by the Board), the calculation of which was included as an attachment to the Executive's employment letter at the time the Executive commenced employment with the Company. Each such Change of Control 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 Change of Control Bonus is awarded, unless the Executive shall elect to defer the receipt of such Change of Control Bonus.

(iii) INCENTIVE, SAVINGS AND RETIREMENT PLANS. During the Change of Control Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other key 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 key executives of the Company and its affiliated companies.

(iv) WELFARE BENEFIT PLANS. During the Change of Control 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, pension, 401(k), medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other key 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 key executives of the Company and its affiliated companies.

(v) EXPENSES. During the Change of Control 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 key executives of the Company and its affiliated companies.

(vi) FRINGE BENEFITS. During the Change of Control 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 key executives of the Company and its affiliated companies.

(vii) OFFICE AND SUPPORT STAFF. During the Change of Control 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 key executives of the Company and its affiliated companies.

(viii) VACATION. During the Change of Control Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices 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 key executives of the Company and its affiliated companies, but in no event shall Executive receive less than twenty working days of compensated vacation time in each fiscal year.

5. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Change of Control Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Change of Control Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) 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 the 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 during the Change of Control Employment Period 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), 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 interest 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 Chief Executive Officer or a senior 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 specify 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 promptly 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 promptly 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;

(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.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately following the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of the 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 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, DEATH OR DISABILITY. If, during the Change of Control Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability 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 Change of Control Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the higher of (I) the Recent Annual Bonus and (II) the Change of Control Bonus paid or payable, including any bonus or portion thereof which has been

earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Change of Control Employment Period, if any (such higher amount being referred to as the "Highest 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 (3) 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), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

(B) an amount equal to the product of (1) 1.5, and (2) the sum of (x) the Executive's Change of Control Base Salary and (y) the Highest Annual Bonus; and

(C) an amount equal to the excess of (a) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Company's Retirement Plan immediately prior to the Effective Date), and any excess or supplemental retirement plan in which the Executive participates (together, the "SERP") which the Executive would receive if the Executive's employment continued for 1.5 years after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation in each of the three years is that required by Section 4(b)(i) and Section 4(b)(ii), over (b) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination;

(ii) for 1.5 years 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 key 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 1.5 years 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 the scope and provider of which shall be selected by the Executive in his sole discretion; 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 and any reimbursement amounts required to be paid to Executive by the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) DEATH. If the Executive's employment is terminated by reason of the Executive's death during the Change of Control 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 key executives of the Company and affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other key 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 key 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 Change of Control 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 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, without limitation, 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 key 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 key 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 Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Change of Control 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 Change of Control 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 any 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. 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 the Company, provided that the Executive prevails in at least one material issue, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including 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 or 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 Deloitte & Touche LLP or such other certified public accounting firm as may be designated by the Executive (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 Executive 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; ASSIGNS.

(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) The Company shall have the right to assign this Agreement and to delegate all of its rights, duties and obligations hereunder to any entity which controls the

Company, which the Company controls or which may be the result of the merger, consolidation, acquisition or reorganization of the Company and another entity. 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 REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF. The captions of this Agreement are not part of the provisions hereof and shall have no force on effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors or legal representatives.

(b) Any notices to be given hereunder by either party to the other may be effected by personal delivery in writing, via facsimile transmission or by mail, registered or certified, postage prepaid with return receipt requested. Notices shall be addressed to the parties as follows:

If to the Company: Beazer Homes USA, Inc.
5775 Peachtree Dunwoody Road
Suite B-200
Atlanta, Georgia 30342
Attn: President
Facsimile: 404-250-3428

If to the Executive: C. Lowell Ball
878 Birds Mill
Marietta, Georgia 30067

Any party may change his or its address by written notice in accordance with this Section 12(b). Notices delivered personally shall be deemed communicated as of actual receipt; notices sent via facsimile transmission shall be deemed communicated as of receipt by the sender of written confirmation of transmission thereof; mailed notices shall be deemed communicated as of three (3) days after proper mailing.

(c) The failure of the Executive or the Company 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)-(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.

(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 and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, 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.

[signature page follows]

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED THIS
EMPLOYMENT AGREEMENT AS OF THE 7TH DAY OF NOVEMBER, 2000.

C. Lowell Ball

BEAZER HOMES USA, INC.

By: _____

Name:

Title: