

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2002

- 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 30342

(Address of principal executive offices) (Zip code)

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

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

Title of Securities

Exchanges on which Registered

Common Stock, \$.01 par value per share
Preferred Share Purchase Rights

New York Stock Exchange
New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant (12,122,823 shares) as of December 13, 2002, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$722,520,251. The number of shares outstanding of the registrant's Common Stock as of December 13, 2002 was 12,904,597.

DOCUMENTS INCORPORATED BY REFERENCE

Part of 10-K
where incorporated

Portions of the registrant's 2002 Annual Report to Shareholders for the fiscal year ended September 30, 2002
Portions of the registrant's Proxy Statement for the 2003 Annual Meeting of Stockholders

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PART I

Item 1. Business

Our principal executive offices are located at 5775 Peachtree Dunwoody Road, Suite B-200, Atlanta, Georgia 30342, telephone (404) 250-3420. We also provide information about our active communities and mortgage financing through our Internet website located at www.beazer.com. Information on our website is not a part of this report.

Beazer Homes USA, Inc. ("Beazer" or "the Company") designs, sells and builds single family homes in the following locations within the United States:

Region/State	Market(s)/Year Entered
Southeast Region:	
Florida	Jacksonville (1993), Fort Myers/Naples (1996), Tampa/St. Petersburg (1996), Treasure Coast (1995), Orlando (1997)
Georgia	Atlanta (1985)
North Carolina	Charlotte (1987), Raleigh (1992), Greensboro (1999)
South Carolina	Charleston (1987), Columbia (1993), Greenville (1998), Myrtle Beach (2002)
Tennessee/Mississippi	Nashville (1987), Memphis (2001), Northern Mississippi (2002)
West Region:	
Arizona	Phoenix (1993)
California	Los Angeles County (1993), Orange County (1993), Riverside & San Bernadino Counties (1993), San Diego County (1992), Ventura County (1993), Sacramento (1993)
Colorado	Denver (2001), Fort Collins (2001)
Nevada	Las Vegas (1993)
Central Region:	
Texas	Dallas (1995), Houston (1995)
Mid-Atlantic Region:	
Maryland	Baltimore (1998), Metro-Washington DC (1998)
New Jersey/Pennsylvania	Central and Southern New Jersey (1998), Bucks County, PA (1998)
Virginia	Fairfax County (1998), Loudoun County (1998), Prince William County (1998)
Midwest Region:	
Indiana	Indianapolis (2002), Lafayette (2002), Ft. Wayne (2002)
Kentucky	Lexington (2002)

We design our homes to appeal primarily to entry-level and first time move-up homebuyers. Our objective is to provide our customers with homes that incorporate quality and value while seeking to maximize our return on invested capital. To achieve this objective, we have developed a business strategy which focuses on the following elements:

Geographic Diversity and Growth Markets. We compete in a large number of geographically diverse markets in an attempt to reduce our exposure to any particular regional economy. Virtually all of the markets in which we operate have experienced significant population growth in recent

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years. Within these markets, we build homes in a variety of projects, typically with fewer than 150 homesites.

Quality Homes for Entry-Level and First Time Move-Up Homebuyers. We seek to maximize customer satisfaction by offering homes which incorporate quality materials, distinctive design features, convenient locations and competitive prices. We focus on entry-level and first time move-up homebuyers because we believe they represent the largest segment of the homebuilding market. During fiscal year 2002, the average sales price of our homes sold was approximately \$190,800.

Additional Products and Services for Homebuyers. In order to maximize our profitability and provide our homebuyers with the additional products and services that they desire, we have incorporated design centers and mortgage origination operations into our business. Recognizing that homebuyers want to choose certain components of their new home, we offer limited customization through the use of design centers in most of our markets. These design centers allow the homebuyer to select certain non-structural customizations for their homes such as cabinetry, flooring, fixtures, appliances and wallcoverings. Additionally, recognizing the homebuyer's desire to simplify the financing process, we originate mortgages on behalf of our customers through Beazer Mortgage Corporation ("BMC") and Crossmann Mortgage Corp. ("CMC"). BMC and CMC originate, process and broker mortgages to third party investors. BMC and CMC generally do not retain or service the mortgages that they broker. We also provide title services to our homebuyers in many of our markets.

Decentralized Operations with Experienced Management. We believe our in-depth knowledge of our local markets enables us to better serve our customers. Our local managers, who have significant experience in both the homebuilding industry and the markets they serve, are responsible for operating decisions regarding design, construction and marketing. We combine these decentralized operations with a centralized corporate-level management which controls decisions regarding overall strategy, land acquisitions and financial matters.

Conservative Land Policies. We seek to maximize our return on capital by limiting our investment in land and by focusing on inventory turnover. To implement this strategy and to reduce the risks associated with investments in land, we use options to control land whenever possible. In addition, we do not speculate in land which is not generally subject to entitlements providing basic development rights to the owner.

Value Created. We evaluate our financial performance and the financial performance of our operations 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. It is calculated as earnings before interest and taxes ("EBIT"), less a charge for all of the capital employed multiplied by our estimate of our minimum weighted average cost of capital (currently 14%).

Company History

In March 1994, we completed a concurrent initial public offering of common stock and issuance of senior notes (the "IPO"). Prior to our IPO, we were an indirect wholly-owned subsidiary of Hanson PLC ("Hanson"), a company registered in the United Kingdom. Hanson currently does not hold any investment, or ongoing interest, in us.

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Markets and Product Description

We evaluate a number of factors in determining which geographic markets to enter or in which markets to concentrate our homebuilding activities. We attempt to anticipate swings in economic and real estate conditions by evaluating such statistical information as

- the historical and projected growth of the population;
- the number of new jobs created or projected to be created;
- the number of housing starts in previous periods;
- building lot availability and price;
- housing inventory;
- level of competition; and
- home sale absorption rates.

We generally seek to avoid direct competition in a particular market with respect to product type and maintain the flexibility to alter our product mix within a given market depending on market conditions. In determining our product mix we consider demographic trends, demand for a particular type of product, margins, timing and the economic strength of the market. While remaining responsive to market opportunities within the industry, in recent years we have focused, and intend to continue to focus, our business primarily on entry-level and first time move-up housing in the form of single family detached homes and townhouses. Entry-level homes generally are those homes priced at the lower end of the market and target first time homebuyers, while first time move-up homes generally are

priced in the mid-to-upper price range and target a wide variety of homebuyers as they progress in income and family size. Although some of our move-up homes are priced at the upper end of the market and we offer a selection of amenities, we generally do not build "custom homes." The prices of our first time move-up homes generally are well below the prices of custom homes in most areas. We attempt to maximize efficiency by using standardized design plans whenever possible.

The following table summarizes certain operating information regarding our markets as of and for the year ended September 30, 2002 (*dollars in thousands*):

State	Number of Active Subdivisions	Number of Homes Closed	Average Closing Price	Units in Backlog at Year End	Dollar Value of Backlog at Year End
Arizona	19	1,211	\$ 157.6	615	\$ 89,375
California	26	2,059	267.2	733	216,578
Colorado	12	376	297.3	54	26,918
Florida	53	1,132	223.5	670	163,084
Georgia	16	473	172.9	149	23,202
Indiana	100	1,448	135.1	1,079	155,680
Kentucky	5	103	116.3	77	8,885
Maryland	10	348	269.0	149	47,361
Nevada	16	796	177.6	431	80,587
New Jersey/ Pennsylvania	6	277	221.2	139	40,631
North & South Carolina	90	2,103	146.5	823	113,977
Ohio	33	502	156.3	456	70,807
Tennessee/Mississippi	29	867	134.5	225	37,662
Texas	34	1,121	155.9	507	76,128
Virginia	19	787	286.4	412	142,415
Total Company	468	13,603	\$ 190.8	6,519	\$ 1,293,290

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Our homebuilding and marketing activities are conducted under the name of Beazer Homes in each of our markets except in Colorado (Sanford Homes), Indiana (Crossmann Communities, Trinity Homes and Deluxe Homes), Kentucky (Cutter Homes), Ohio (Crossmann Communities and Deluxe Homes) and Tennessee (Phillips Builders).

Corporate Operations

We perform the following functions at a centralized level:

- evaluate and select geographic markets;
- allocate capital resources to particular markets, including with respect to land acquisitions;
- maintain our relationship with lenders to regulate the flow of financial resources and develop consistent relationships with our lenders;
- maintain centralized information systems; and
- monitor the decentralized operations of our subsidiaries and divisions.

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

Structurally, we operate through separate divisions, which are generally located within the areas in which they operate. Each division is managed by executives with substantial experience in the division's market. In addition, each division is equipped with the skills to complete the functions of land acquisition, map processing, land development, construction, marketing, sales and product service.

Land Acquisition and Development

Substantially all of the land we acquire is purchased only after necessary entitlements have been obtained so that we have the right to begin development or construction as market conditions dictate. In certain situations, we will purchase property without all necessary entitlements where we perceive an opportunity to build on such property in a manner consistent with our strategy. The term "entitlements" refers to development agreements, tentative maps or recorded plats, depending on the jurisdiction within which the land is located. Entitlements generally give a developer the right to obtain building permits upon compliance with conditions that are usually within the developer's control. Although entitlements are ordinarily obtained prior to the purchase of land, we are still required to obtain a variety of other governmental approvals and permits during the development process.

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

- internal and external demographic and marketing studies;
-

suitability for development during the time period of one to five years from the beginning of the development process to the last closing;

- financial review as to the feasibility of the proposed project, including projected **Value Created**, profit margins and returns on capital employed;
- the ability to secure governmental approvals and entitlements;
- environmental and legal due diligence;

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- competition in the area;
- proximity to local traffic corridors and amenities; and
- management's judgment as to the real estate market and economic trends and our experience in a particular market.

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

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

The development and construction of each project are managed by our operating divisions, each of which is generally led by a president who, in turn, reports directly or indirectly to our Chief Operating Officer and our Chief Executive Officer. At the development stage, a manager (who may be assigned to several projects and reports to the president of the division) supervises development of buildable lots. In addition, a field superintendent is responsible for each project site to supervise actual construction, and each division has one or more customer service and marketing representatives assigned to projects operated by that division.

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The following table sets forth, by state, land controlled by us as of September 30, 2002:

	Lots Owned					Lots Under Contract(3)			
	Undeveloped Lots(1)	Lots Under Development	Finished Lots	Homes Under Construction(2)	Total Lots Owned	Undeveloped Lots	Finished Lots	Total Lots Under Contract	Total Land Controlled
Southeast Region:									
Florida	—	239	719	607	1,565	892	2,448	3,340	4,905
Georgia	—	313	68	275	656	1,075	762	1,837	2,493
North & South Carolina	734	3,033	1,222	1,329	6,318	2,261	5,457	7,718	14,036
Tennessee/Mississippi	70	931	527	386	1,914	890	973	1,863	3,777
West Region:									
Arizona	—	—	1,005	392	1,397	462	1,629	2,091	3,488
California	—	580	323	888	1,791	1,368	1,120	2,488	4,279
Colorado	—	228	95	153	476	—	910	910	1,386
Nevada	798	429	652	383	2,262	259	377	636	2,898
Central Region:									
Texas	—	978	1,313	533	2,824	406	1,738	2,144	4,968
Mid-Atlantic Region:									
Maryland	—	188	107	170	465	731	976	1,707	2,172
New Jersey/Pennsylvania	—	157	413	77	647	673	229	902	1,549
Virginia	—	168	424	236	828	460	1,398	1,858	2,686
Midwest Region:									
Indiana	1,412	4,062	1,719	2,381	9,574	7,702	3,871	11,573	21,147
Kentucky	36	461	79	161	737	—	531	531	1,268
Ohio	892	876	726	843	3,337	1,905	484	2,389	5,726
Total	3,942	12,643	9,392	8,814	34,791	19,084	22,903	41,987	76,778

- (1) "Undeveloped Lots" consists of raw land that is expected to be developed into the respective number of lots reflected in this table.
- (2) The category "Homes Under Construction" represents lots on which construction of a home has commenced.
- (3) The classification within Lots Under Contract for this schedule is based upon level of completion at delivery as stated in the option contract.

Option Contracts: We acquire certain lots by means of option contracts. Option contracts generally require the payment of a cash deposit or issuance of a letter of credit for the right to acquire lots during a specified period of time at a certain price. Our option contracts have expiration periods ranging from one to sixty months.

Under option contracts, both with and without specific performance, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our obligation with respect to options with specific performance is included on our consolidated balance sheet in other liabilities at September 30, 2002. At September 30, 2002, we are committed to future amounts under option contracts with specific performance obligations that aggregated \$15.1 million. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately \$110.9 million at September 30, 2002. This amount includes letters of credit of approximately \$33.4 million. At September 30, 2002, future amounts under option contracts without specific performance obligations aggregated \$1.2 billion.

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Construction

We act as the general contractor for the construction of our projects. Our project development operations are controlled by our subsidiaries and divisions, whose employees supervise the construction of each project, coordinate the activities of subcontractors and suppliers, subject their work to quality and cost controls and assure compliance with zoning and building codes. We specify that quality, durable materials be used in the construction of our homes. Our subcontractors follow design plans prepared by architects and engineers who are retained by us and whose designs are geared to the local market. Subcontractors typically are retained on a project-by-project basis to complete construction at a fixed price. Agreements with our subcontractors and materials' suppliers are generally entered into after competitive bidding, and we do not have any long-term contractual commitments with any of our subcontractors or suppliers. In connection with this competitive bid process, we obtain information from prospective subcontractors and vendors with respect to their financial condition and ability to perform their agreements with us. We do not maintain significant inventories of construction materials except for materials being utilized for homes under construction. We have numerous suppliers of raw materials and services used in our business, and such materials and services have been and continue to be available. Material prices may fluctuate, however, due to various factors, including demand or supply shortages, which may be beyond the control of our vendors. From time to time we enter into regional and national supply contracts with certain of our vendors. We believe that our relationships with our suppliers and subcontractors are good. We are actively exploring ways in which we can use our Internet presence to maximize business to business e-commerce applications with our suppliers and subcontractors.

Construction time for our homes depends on the availability of labor, materials and supplies, product type and location. Homes are designed to promote efficient use of space and materials, and to minimize construction costs and time. In all of our markets, construction of a home is typically completed within three to six months following commencement of construction. At September 30, 2002, we had 2,796 finished homes (excluding models), of which 2,289 were sold and included in backlog at such date.

Warranty Program

We provide a variety of warranties in connection with our homes, spanning from one to ten years in length. We provide a one-year limited warranty of workmanship and materials with each of our homes, which generally includes home inspection visits with the customer during the first year following the purchase of a home. We subcontract our homebuilding work to subcontractors who provide us with an indemnity and a certificate of insurance prior to receiving payments for their work and, therefore, claims relating to workmanship and materials are generally the primary responsibility of our subcontractors. In addition, the first year of our warranty covers defects in plumbing, electrical, heating, cooling and ventilation systems, and major structural defects; the second year of such warranty covers major structural defects and certain defects in plumbing, electrical, heating, cooling and ventilation systems of the home (exclusive of defects in appliances, fixtures and equipment); and the final eight years of protection cover only major structural defects.

We record a reserve of approximately 0.5% to 1.0% of the sales price of a home to cover warranty expenses, although this allowance is subject to adjustment in special circumstances. Our historical experience is that such warranty expenses generally fall within the amount established for such allowance.

We self-insure our structural warranty obligations through our wholly-owned risk retention groups, United Home Insurance Company, A Risk Retention Group ("UHIC") and Meridian Structural Insurance, Risk Retention Group Inc. We believe this results in cost savings as well as increased control over the warranty process.

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In addition, we maintain third party insurance for most construction defects which we encounter in the normal course of business. We believe that our accruals and third party insurance are adequate to cover the ultimate resolution of our potential liabilities associated with known and anticipated warranty and construction defects related claims and litigation.

Marketing and Sales

We make extensive use of advertising and other promotional activities, including our website (www.beazer.com), newspaper advertisements, brochures, direct mail and the placement of strategically located signboards in the immediate areas of our developments.

We normally build, decorate, furnish and landscape between one and five model homes for each project and maintain on-site sales offices. At September 30, 2002, we maintained 554 model homes, of which 448 were owned and 106 were leased from third parties pursuant to sale and leaseback agreements. We believe that model homes play a particularly important role in our marketing efforts. Consequently, we expend a significant effort in creating an attractive atmosphere at our model homes. Interior decorations are undertaken by both in-house and local third-party design specialists, and vary within our models based upon the lifestyles of targeted homebuyers. The purchase of furniture, fixtures and fittings is coordinated to ensure that manufacturers' bulk discounts are utilized to the

maximum extent. Structural changes in design from the model homes are not generally permitted, but homebuyers may select various optional amenities. We also use a cross-referral program that encourages our personnel to direct customers to other Beazer subdivisions based on the customers' needs.

We generally sell our homes through commissioned employees (who typically work from the sales offices located at the model homes used in the subdivision) as well as through independent brokers. Our personnel are available to assist prospective homebuyers by providing them with floor plans, price information and tours of model homes and in connection with the selection of options. The selection of interior features is a principal component of our marketing and sales efforts. Sales personnel are trained by us and attend periodic meetings to be updated on sales techniques, competitive products in the area, the availability of financing, construction schedules, marketing and advertising plans, which management believes result in a sales force with extensive knowledge of our operating policies and housing products. Our policy also provides that sales personnel be licensed real estate agents where required by law. We also build a number of homes for which no signed sales contract exists at the time of commencement of construction. The use of an inventory of such homes is necessary to satisfy the requirements of relocated personnel and of independent brokers, who often represent customers who require a completed home within 60 days. At September 30, 2002, excluding models, we had 1,940 homes at various stages of completion (of which 507 were completed) for which we had not received a sales contract.

We sometimes use various sales incentives (such as landscaping and certain interior home options and upgrades) in order to attract homebuyers. The use of incentives depends largely on local economic and competitive market conditions.

Customer Financing

We provide customer financing through BMC and CMC. BMC and CMC provide mortgage origination services only, and generally do not retain or service the mortgages that they originate. These mortgages are generally funded by one of a network of mortgage lenders. BMC and CMC can provide qualified homebuyers numerous financing options, including a wide variety of conventional, FHA and VA financing programs. In certain situations we will seek to assist our homebuyers in obtaining financing from outside mortgage lenders and, in certain limited circumstances, we may attempt to minimize potential risks relating to the availability of customer financing by purchasing

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mortgage financing commitments that lock in the availability of funds and interest rates at specified levels for a certain period of time. Because substantially all homebuyers utilize long-term mortgage financing to purchase a home, adverse economic conditions, increases in unemployment and high mortgage interest rates may deter and eliminate a substantial number of potential homebuyers from our markets in the future.

Competition and Market Factors

The development and sale of residential properties is highly competitive and fragmented. We compete for residential sales on the basis of a number of interrelated factors, including location, reputation, amenities, design, quality and price, with numerous large and small homebuilders, including some homebuilders with nationwide operations and greater financial resources and/or lower costs than us. We also compete for residential sales with individual resales of existing homes, available rental housing and, to a lesser extent, resales of condominiums. We believe that we compare favorably to other builders in the markets in which we operate, due primarily to:

- our experience within our geographic markets and breadth of product line, which allows us to vary our regional product offerings to reflect changing market conditions;
- our responsiveness to market conditions, enabling us to capitalize on the opportunities for advantageous land acquisitions in desirable locations; and
- our reputation for quality design, construction and service.

The housing industry is cyclical and is affected by consumer confidence levels and prevailing economic conditions, including interest rate levels. A variety of other factors affect the housing industry and demand for new homes, including the availability of labor and materials and increases in the costs thereof, changes in costs associated with home ownership such as increases in property taxes and energy costs, changes in consumer preferences, demographic trends and the availability of and changes in mortgage financing programs.

Government Regulation and Environmental Matters

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

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

and the environment. These laws may result in delays, cause us to incur substantial compliance and other costs, and prohibit or severely restrict development in certain environmentally sensitive regions or areas.

Bonds and Other Obligations

We are frequently required, in connection with the development of our projects, to obtain letters of credit and performance, maintenance and other bonds in support of our related obligations with respect to such developments. The amount of such obligations outstanding at any time varies in accordance with our pending development activities. In the event any such bonds or letters of credit are drawn upon, we would be obligated to reimburse the issuer of such bonds or letters of credit. At September 30, 2002, we had outstanding approximately \$37.5 million and \$315.1 million, of outstanding letters of credit and performance bonds, respectively, related principally to our obligations to local governments to construct roads and other improvements in various developments in addition to outstanding letters of credit of approximately \$33.4 million related to our land option contracts. We do not believe that we will be required to draw upon any such bonds or letters of credit.

Employees and Subcontractors

At September 30, 2002, we employed 2,890 persons, of whom 460 were sales and marketing personnel, 1,131 were executive, management and administrative personnel, 1,094 were involved in construction and 205 were personnel of BMC and CMC. Although none of the our employees are covered by collective bargaining agreements, certain of the subcontractors engaged by us are represented by labor unions or are subject to collective bargaining arrangements. We believe that our relations with our employees and subcontractors are good.

Item 2. Properties

We lease approximately 21,000 square feet of office space in Atlanta, Georgia to house our corporate headquarters. We also lease an aggregate of approximately 370,000 square feet of office space for our subsidiaries' operations at various locations. We own approximately 18,500 square feet of manufacturing space and 6,800 square feet of office space in Nashville, Tennessee.

Item 3. Legal Proceedings

We are involved in various legal proceedings, all of which have arisen in the ordinary course of business and some of which are covered by insurance. The most significant matters relate to construction defects and product liability. In our opinion, none of the claims individually or in the aggregate will have a material adverse effect on our financial condition or results of operations.

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

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

SEPARATE ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT

Unless otherwise indicated, the following executive officers have been employed by Beazer since 1994, the year of our initial public offering.

Name	Age	Position
Executive Officers		
Ian J. McCarthy	49	President, Chief Executive Officer and Director
David S. Weiss	42	Executive Vice President, Chief Financial Officer and Director
Michael H. Furlow (i)	52	Executive Vice President, Chief Operating Officer
James O'Leary (ii)	39	Executive Vice President, Corporate Development
John Skelton	53	Senior Vice President, Forward Planning
C. Lowell Ball (iii)	45	Senior Vice President, General Counsel
Michael T. Rand (iv)	40	Senior Vice President, Corporate Controller

(i) Since October 1997

(ii) Since July 2002

(iii) Since August 2000

(iv) Since November 1996

Business Experience

IAN J. MCCARTHY. Mr. McCarthy is the President and Chief Executive Officer of Beazer and has served as a director of Beazer since our initial public offering of common stock (the "IPO") in March 1994. Mr. McCarthy has served as President of predecessors of Beazer since January 1991 and was responsible for all United States residential homebuilding operations in that capacity. During the period May 1981 to January 1991, Mr. McCarthy was employed in Hong Kong and Thailand becoming a director of Beazer Far East and from January 1980 to May 1981 was employed by Kier, Ltd., a company engaged in the United Kingdom construction industry which became an indirect, wholly-owned subsidiary of Beazer PLC. Mr. McCarthy is a Chartered Civil Engineer with a Bachelor of Science degree from The City University, London. Mr. McCarthy currently serves as Chairman of HomeAid America's National Advisory Board.

DAVID S. WEISS. Mr. Weiss is the Executive Vice President and Chief Financial Officer of Beazer and has served as a director of Beazer since the IPO. Mr. Weiss served as the Assistant Corporate Controller of Hanson Industries, the United States arm of Hanson PLC, for the period from February 1993 to March 1994. Mr. Weiss was Manager of Financial Reporting for Colgate-Palmolive Company from November 1991 to February 1993 and was with the firm of Deloitte & Touche from 1982 to November 1991, at which time he served as a Senior Audit Manager. Mr. Weiss holds a Master of Business Administration degree from the Wharton School and undergraduate degrees in Accounting and English from the University of Pennsylvania. Mr. Weiss is a licensed Certified Public Accountant.

MICHAEL H. FURLOW. Mr. Furlow joined us in October 1997 as the Executive Vice President for Operations. In this capacity the Division Presidents report to Mr. Furlow and he is responsible for the performance of those operating divisions. During the preceding 12 years, Mr. Furlow was with Pulte Home Corporation in various field and corporate roles, most recently as a Regional President. Mr. Furlow received a Bachelor of Arts degree with honors in accounting from the University of West Florida and initially worked as a Certified Public Accountant for Arthur Young & Company.

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JAMES O'LEARY. Mr. O'Leary joined us in July 2002 as the Executive Vice President, Corporate Development. Mr. O'Leary was previously with U.S. Industries, Inc. from 1995 to 2002. From 2000 to 2002, Mr. O'Leary was Chairman and CEO of LCA Group, Inc., U.S. Industries' global lighting subsidiary. He also served as Executive Vice President of U.S. Industries from 1999 to 2002, Senior Vice President and Chief Financial Officer from 1998 to 1999 and Vice President and Corporate Controller from 1995 to 1998. Mr. O'Leary held various financial and operational positions at Hanson PLC, U.S. Industries' former parent company, from 1993 to 1995 at which time U.S. Industries was spun off to Hanson's shareholders. Mr. O'Leary was with Deloitte & Touche from 1985 to 1995. Mr. O'Leary holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and a Bachelor of Business Administration degree from Pace University. Mr. O'Leary is a licensed Certified Public Accountant.

JOHN SKELTON. Mr. Skelton has served as Senior Vice President, Operations since the IPO, was appointed Senior Vice President, Financial Planning in fiscal 1999 and appointed Senior Vice President, Forward Planning in fiscal 2003. Mr. Skelton served as Vice President and Chief Financial Officer of Beazer Homes, Inc., a subsidiary of Beazer, since 1985 and Vice President and Chief Financial Officer of Beazer Homes Holdings, Inc., a subsidiary of Beazer, since April 1993. During the period 1977 to 1985, Mr. Skelton served as Finance Director of Leech Homes, a subsidiary of Leech PLC which was acquired by Beazer PLC in 1985. After graduating with a Bachelor's degree from Durham University in the United Kingdom, he was employed by Deloitte & Touche and is a Fellow of the Institute of Chartered Accountants in England and Wales.

C. LOWELL BALL. Mr. Ball joined us in August 2000 as Senior Vice President and General Counsel. From 1992 to August 2000, Mr. Ball held equivalent positions with commercial real estate investment, development-operating companies, including Regent Partners, Inc., Compass Management and Leasing and Dutch Institutional Holding Company. Prior to 1992, Mr. Ball practiced law for ten years with two major Atlanta law firms: Long, Aldridge & Norman and Sutherland, Asbill & Brennan. Mr. Ball graduated with honors from the University of North Carolina School of Law where he served on the Board of Editors of the *North Carolina Law Review*. He also received his undergraduate degree from the University of North Carolina where he was a Morehead Scholar.

MICHAEL T. RAND. Mr. Rand joined us in November 1996 as Vice President, Operational and Accounting Controls and was promoted to Vice President, Corporate Controller in June of 1998. Mr. Rand was promoted to Senior Vice President, Corporate Controller in October 2002. Prior to joining Beazer, Mr. Rand was with the firm KPMG Peat Marwick from 1984 to 1996, at which time he served as a Senior Audit Manager. Mr. Rand holds a Bachelors degree in Commerce from the University of Virginia and is a licensed Certified Public Accountant.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

On December 13, 2002, Beazer Homes USA, Inc. had approximately 77 shareholders of record and 12,904,597 shares of common stock outstanding.

The following table provides information as of September 30, 2002 with respect to our shares of common stock that may be issued under our existing equity compensation plans, all of which have been approved by our stockholders:

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Common Shares Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by stockholders	1,070,880	\$ 28.37	598,758

The remaining information required by this item is incorporated by reference to the information set forth under the captions "Quarterly Stock Price Information" and "Trading Information" located on Page 54 and 60, respectively, of our Annual Report to Shareholders for the year ended September 30, 2002.

Item 6. Selected Financial Data

The information required by this item is incorporated by reference from page 22 of our Annual Report to Shareholders for the year ended September 30, 2002.

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

The information required by this item is incorporated by reference from pages 24 to 35 of our Annual Report to Shareholders for the year ended September 30, 2002.

Item 7(a). Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated by reference from page 34 and 35 of our Annual Report to Shareholders for the year ended September 30, 2002.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated by reference from pages 36 to 53 of our Annual Report to Shareholders for the year ended September 30, 2002.

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

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Director information is incorporated by reference to the section entitled "Election of Directors" of our Proxy Statement for our 2003 Annual Meeting of Stockholders. Information regarding our executive officers is set forth herein under Part I as a separate item.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the section entitled "Executive Compensation" of our Proxy Statement for our 2003 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference to the section entitled "Security Ownership of Management" of our Proxy Statement for our 2003 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions

None

Item 14. Controls and Procedures

Within 90 days of the filing of this report on Form 10-K, an evaluation was performed under the supervision and with the participation of Beazer's management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, Beazer's management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of September 30, 2002 to ensure that required information will be disclosed on a timely basis in our reports filed under the Exchange Act. No significant changes in Beazer's internal controls or in other factors have occurred that could significantly affect the controls subsequent to the date of their evaluation.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

The Independent Auditors' Report and the following consolidated financial statements are incorporated by reference from our Annual Report to Shareholders for the fiscal year ended September 30, 2002 in Part II, Item 8 of this report:

Consolidated Statements of Income for the years ended September 30, 2002, 2001 and 2000.

Consolidated Balance Sheets as of September 30, 2002 and 2001.

Consolidated Statements of Stockholders' Equity for the years ended September 30, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for the years ended September 30, 2002, 2001 and 2000.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

None required

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3. Exhibits

Exhibit Number	Exhibit Description	Page herein or incorporate by reference from
2.1	— Agreement and Plan of Merger among Beazer Homes USA, Inc., Beazer Homes Investment Corp., and Crossmann Communities Inc. dated as of January 29, 2002	(15)
3.1	— Amended and Restated Certificate of Incorporation of the Company	(4)
3.2	— Amended and Restated Bylaws of the Company	(4)
4.1	— Indenture dated as of March 25, 1998 among the Company, its subsidiaries party thereto, and U.S. Bank Trust National Association, as trustee, relating to the Company's 8 ⁷ / ₈ % Senior Notes due 2008	(9)
4.2	— Form of 8 ⁷ / ₈ % Senior Notes due 2008	(9)
4.3	— First Supplemental Indenture (8 ⁷ / ₈ % Notes) dated July 20, 1998	(10)
4.4	— Indenture dated as of May 21, 2001 among the Company and U.S. Bank Trust National Association, as trustee, related to the Company's 8 ⁵ / ₈ % Senior Notes due 2011	(14)
4.5	— Supplemental Indenture (8 ⁵ / ₈ % Notes) dated as of May 21, 2001 among the Company, its subsidiaries party thereto and U.S. Bank Trust National Association, as trustee	(14)
4.6	— Form of 8 ⁵ / ₈ % Senior Notes due 2011	(14)
4.7	— Specimen of Common Stock Certificate	(3)
4.8*	— Retirement Savings and Investment Plan (the "RSIP")	(2)
4.9*	— RSIP Summary Plan Description	(2)
4.10	— Rights Agreement, dated as of June 21, 1996, between the Company and First Chicago Trust Company of New York, as Rights Agent	(5)
4.11	— Indenture dated as of April 17, 2002 among Beazer, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee, related to the Company's 8 ³ / ₈ % Senior Notes due 2012	(15)
4.12	— First Supplemental Indenture dated as of April 17, 2002 among Beazer, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee, related to the Company's 8 ³ / ₈ % Senior Notes due 2012	(15)
4.13	— Form of 8 ³ / ₈ % Senior Notes due 2012	(15)
10.1*	— Amended and Restated 1994 Stock Incentive Plan	(11)
10.2*	— Non-Employee Director Stock Option Plan	(1)
10.3*	— Amended and Restated 1999 Stock Incentive Plan	(16)
10.4	— Asset Purchase Agreement dated as of October 26, 1998 between Beazer Homes Corp. and Trafalgar House Property, Inc.	(8)
10.5-7	Amended and Restated Employment Agreements dated as of March 31, 1995:	

10.5*	— Ian J. McCarthy	(6)
10.6*	— David S. Weiss	(6)
10.7*	— John Skelton	(6)
10.8*	— Employment Agreement dated as of January 13, 1998—Michael H. Furlow	(9)
10.9-12	Supplemental Employment Agreements dated as of July 17, 1996:	
10.9*	— Ian J. McCarthy	(7)
10.10*	— David S. Weiss	(7)
10.11*	— John Skelton	(7)
10.12*	— Employment Agreement effective as of November 7, 2000 for C. Lowell Ball	(11)
10.13*	— Change of Control Agreement effective as of November 7, 2000 for C. Lowell Ball	(11)
10.14	— Term Loan Agreement dated December 19, 2000 between the Company and Bank One, NA, as Agent, and Guaranty Federal Bank, F.S.B. and Wachovia Bank, NA, as Co-Agents	(12)
10.15	— Credit Agreement dated as of September 21, 2001 between the Company and Bank One, NA, as Agent, and Comerica Bank, Guaranty Federal Bank, F.S.B., SunTrust Bank and Wachovia Bank, N.A., as Documentation Agents and AmSouth Bank and PNC Bank, NA as Co-Agents	(14)
10.16	— Purchase Agreement for Sanford Homes of Colorado LLLP	(13)
10.17*	— Employment Agreement effective as of July 10, 2002 for James O'Leary	Filed herewith
10.18*	— Change of Control Agreement effective as of July 10, 2002 for James O'Leary	Filed herewith
10.19*	— Change of Control Agreement effective as of March 1, 2001 for Michael T. Rand	Filed herewith
10.20*	— Employment Agreement effective as of December 17, 2002 for Michael T. Rand	Filed herewith
13	— Annual Report to Shareholders for the year ended September 30, 2002	Filed herewith
21	— Subsidiaries of the Company	Filed herewith
23	— Consent of Deloitte & Touche LLP, Independent Auditors	Filed herewith
99.1	— Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

99.2	— Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
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* Represents a management contract or compensatory plan or arrangement"

- (1) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 1994.
- (2) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-8 (Registration No. 33-91904) filed on May 4, 1995.
- (3) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-1 (Registration No. 33-72576) initially filed on December 6, 1993.
- (4) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on May 30, 1996.
- (5) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on June 21, 1996
- (6) Incorporated herein by reference to the exhibits to the Company's report on Form 10-Q for the quarterly period ended March 31, 1995.
- (7) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 1996.
- (8)

Incorporated herein by reference to the exhibits to the Company's report on Form 8-K/A filed on December 18, 1998.

- (9) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-4 (Registration No. 333-51087) filed on April 27, 1998.
 - (10) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 1998.
 - (11) Incorporated herein by reference to the exhibits to the Company's 10-Q for the quarterly period ended December 31, 2000
 - (12) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on December 22, 2000.
 - (13) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on August 10, 2001.
 - (14) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 2001.
 - (15) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-4 (Registration No. 333-92470) filed on July 16, 2002.
 - (16) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-8/S-3 (Registration No. 333-101142) filed on November 12, 2002.
- (b) Reports on Form 8-K

We filed a report on Form 8-K/A on July 2, 2002 reporting under item 7 the financial statements of a business acquired and related pro forma financial information.

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We filed a report on Form 8-K on July 18, 2002 announcing the exchange of our \$350 million 8³/₈% Senior Notes due 2012 previously issued in a Rule 144A offering to publicly registered Senior Notes which will have substantially identical terms. In connection with the filing, we also disclosed that in our results of operations for the quarter ended June 30, 2002, we would record an increase to cost of sales of approximately \$2.6 million (\$0.12 per diluted share) to adjust for misallocations made by our division based in Fort Myers, Florida.

We filed a report on Form 8-K on July 25, 2002 announcing that we would broadcast a synchronized slide show and audio over the Internet in connection with our conference call on results for the quarter ended June 30, 2002 and announcing our results for the quarter ended June 30, 2002.

We filed a report on Form 8-K on July 29, 2002 announcing we had appointed James O'Leary to the newly created position of Executive Vice President, Corporate Development.

We filed a report on Form 8-K on August 7, 2002 announcing our new home orders for the month ended July 31, 2002.

We filed a report on Form 8-K on August 8, 2002 announcing our submission to the Securities and Exchange Commission, the Statements under Oath of our Principal Executive Officer and Principal Financial Officer.

We filed a report on Form 8-K on September 5, 2002 announcing our new home orders for the one-month and two-month periods ended August 31, 2002.

We filed a report on Form 8-K on September 13, 2002 announcing the extension of our exchange offer for our 8³/₈% Senior Notes due 2012 until Monday, September 16, 2002.

(c) Exhibits

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

- | | | |
|-------|---|---|
| 10.17 | — | Employment Agreement effective as of July 10, 2002 for James O'Leary |
| 10.18 | — | Change of Control Agreement effective as of July 10, 2002 for James O'Leary |
| 10.19 | — | Change of Control Agreement effective as of March 1, 2001 for Michael T. Rand |
| 10.20 | — | Employment Agreement effective as of December 17, 2002 for Michael T. Rand |
| 13 | — | The Company's Annual Report to Shareholders for the fiscal year ended September 30, 2002. Except as expressly incorporated by reference in this report on Form 10-K, such Annual Report is furnished only for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this report. The following portions of such Annual Report are incorporated by reference in the indicated items of this report. |

Portions of the Annual Report for the Fiscal Year Ended September 30, 2002

Item of this Report

"Trading Information" and "Quarterly Stock Price Information"

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	Management's Discussion and Analysis of Financial Condition and Results of Operations	7, 7(a)
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21	— Subsidiaries of the Company	
23	— Consent of Deloitte & Touche LLP, Independent Auditors	
99.1	— Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
99.2	— Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

(d) Financial Statement Schedules

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

SIGNATURES

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

Beazer Homes USA, Inc.

By: /s/ IAN J. MCCARTHY

Name: Ian J. McCarthy
 Title: President and Chief Executive Officer
 Date: December 20, 2002

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

<u>December 20, 2002</u>	By: <u>/s/ BRIAN C. BEAZER</u>
Date	Brian C. Beazer, Director and Non-Executive Chairman of the Board
<u>December 20, 2002</u>	By: <u>/s/ IAN J. MCCARTHY</u>
Date	Ian J. McCarthy, Director, President and Chief Executive Officer (Principal Executive Officer)
<u>December 20, 2002</u>	By: <u>/s/ DAVID S. WEISS</u>
Date	David S. Weiss, Director, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>December 20, 2002</u>	By: <u>/s/ LAURENT ALPERT</u>
Date	Laurent Alpert, Director
<u>December 20, 2002</u>	By: <u>/s/ THOMAS B. HOWARD</u>
Date	Thomas B. Howard, Director
<u>December 20, 2002</u>	By: <u>/s/ DAVID E. (NED) MUNDELL</u>
Date	David E. (Ned) Mundell, Director
<u>December 20, 2002</u>	By: <u>/s/ MAUREEN E. O'CONNELL</u>

Date		Maureen E. O'Connell, Director
December 20, 2002	By:	/s/ LARRY T. SOLARI
<hr/>		
Date		Larry T. Solari, Director
December 20, 2002	By:	/s/ MICHAEL T. RAND
<hr/>		
Date		Michael T. Rand, Senior Vice President, Corporate Controller (Principal Accounting Officer)

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ian J. McCarthy, President and Chief Executive Officer of Beazer Homes USA, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ IAN J. MCCARTHY

Ian J. McCarthy
President and Chief Executive Officer

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David S. Weiss, Executive Vice President and Chief Financial Officer of Beazer Homes USA, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ David S. Weiss

David S. Weiss
Executive Vice President and Chief Financial Officer

QuickLinks

[DOCUMENTS INCORPORATED BY REFERENCE](#)

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[Item 5. Market for Registrant's Common Equity and Related Stockholder Matters](#)

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[Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K](#)

[SIGNATURES](#)

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is entered into as of the 10th day of July, 2002, by and between Beazer Homes USA, Inc., a Delaware corporation (the "Company") and James O'Leary (the "Executive"), an individual resident in the State of New Jersey.

WITNESSETH:

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 Executive Vice President, Corporate Development, 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, 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, 2003 (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 \$285,000, 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, 2002 and on each January 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;

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(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(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 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(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 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

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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 Compete.* Executive recognizes and acknowledges that the Company is placing its confidence and trust in Executive. Executive, therefore, covenants and agrees that during the Applicable Non-Compete Period (as defined below) Executive shall not, either directly or indirectly, without the prior written consent of the Board:

(1) Engage in or carry on any business or in any way become associated with any business which is similar to or is in competition with the Business of the Company (as such term is used and defined herein). As used in this Section 5, the term "Business of the Company" shall include all business activities in which the Company is now engaged, including but not limited to, the purchase of land (or options therefor) for development and the construction of residential homes for resale to consumers and shall further include any business in which the Company is engaged at any time during the Term;

(2) Solicit the business of any person or entity, on behalf of himself or any other person or entity, which is or has been at any time during the term of this Agreement a customer or supplier of the Company including, but not limited to, former or present customers or suppliers with whom Executive has had personal contact during, or by reason of, his relationship with the Company;

(3) Be or become an employee, agent, consultant, representative, director or officer of, or be otherwise in any manner associated with, any person, firm, corporation, association or other entity which is engaged in or is carrying on any business which is similar to or in competition with the Business of the Company;

(4) 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; or

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(5) Be or become a shareholder, joint venturer, owner (in whole or in part), or partner, or be or become associated with or have any proprietary or financial interest in or of any firm, corporation, association or other entity which is engaged in or is carrying on any business which is similar to or in competition with the Business of the Company. Notwithstanding the proceeding sentence, passive equity investments by Executive of \$25,000 or less in any entity or affiliated group of any entity which is engaged in or is carrying on any business which is similar to or in competition with the Business of the Company shall not be deemed to violate this Section 5.1.

Executive hereby recognizes and acknowledges that the existing Business of the Company extends throughout the States of Georgia, Tennessee, South Carolina, North Carolina, Texas, California, Arizona, Nevada, Florida, Maryland, New Jersey, Pennsylvania, Virginia, Colorado, District of Columbia, Indiana, Ohio, Kentucky and Mississippi and therefore agrees that the covenants not to compete contained in this Section 5.1 shall be applicable in and throughout such states as well as throughout such additional areas and states in which the Company may be (or has prepared written plans to be) doing business as of the date of termination of Executive's employment. Executive further warrants and represents that, because of his varied skill and abilities, he does not need to compete with the Business of the Company and that this Agreement will not prevent him from earning a livelihood and acknowledges that the restrictions contained in this Section 5.1 constitute reasonable protections for the Company.

As used in this Section 5.1, "Applicable Non-Compete Period" shall mean: (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 July 10, 2002 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 hereof or Section 4.3 hereof or for any other reason (other than as set forth in clause (c) below), the period beginning on July 10, 2002 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 July 10, 2002 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 July 10, 2002 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 July 10, 2002 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)

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.

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:	James O'Leary 412 Morris Ave Apartment #53 Summit, NJ 07901
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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

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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]

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IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the July 10, 2002.

/s/ JAMES O'LEARY

James O'Leary

BEAZER HOMES USA, INC.

/s/ IAN J. MCCARTHY

Ian J. McCarthy
President/CEO

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[EXHIBIT 10.17](#)

[EMPLOYMENT AGREEMENT](#)

EMPLOYMENT AGREEMENT

AGREEMENT by and between Beazer Homes USA, Inc., a Delaware corporation (the "Company") and James O'Leary (the "Executive"), dated as of the 10th day of July, 2002.

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, 2003; provided, however, that commencing on September 30, 2002, 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

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(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,

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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,

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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

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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

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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.

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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 over the eighteen months 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;

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(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
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If to the Executive:	James O'Leary 412 Morris Ave Apartment #53 Summit, NJ 07901
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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 10th day of July, 2002.

/s/ JAMES O'LEARY

James O'Leary

BEAZER HOMES USA, INC.

/s/ IAN J. MCCARTHY

QuickLinks

[EXHIBIT 10.18](#)

[EMPLOYMENT AGREEMENT](#)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") by and between Beazer Homes USA, Inc., a Delaware corporation (the "Company") and Michael T. Rand (the "Executive"), dated as of the 1st day of March, 2001.

WITNESSETH:

WHEREAS, 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 of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d) (3) or 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

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

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

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

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

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

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use

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the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) *Compensation.* (i) *Base Salary.* During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual 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 Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) *Annual Bonus.* In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus under the Company's annual incentive plans, 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 such fiscal year) (the "Recent Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) *Incentive, Savings and Retirement Plans.* During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) *Welfare Benefit Plans.* During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in, and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance

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plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

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

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

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

Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

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

5. *Termination of Employment.* (a) *Death or Disability.* The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the 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 this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

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(b) *Cause.* The Company may terminate the Executive's employment during the 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 interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the 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 specifying the particulars thereof in detail.

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

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

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(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 this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date

shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) *Date of Termination.* "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or 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 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 Annual 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 Annual 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 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

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

C. an amount equal to the excess of (1) 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 eighteen months after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation over the eighteen months is that required by Section 4(b) (i) and Section 4(b) (ii), over (2) 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 eighteen months after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4 (b) (iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until eighteen months after the Date of Termination and to have retired on the last day of such period;

(iii) the Company shall, at its sole expense as incurred, provide the Executive with outplacement services 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 (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 Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and

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their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

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

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

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

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

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applicable Federal rate provided for in Section 7872(f) (2) (A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. *Certain Additional Payments by the Company.*

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

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by 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

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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.

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

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

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

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

12. *Miscellaneous.* (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Michael T. Rand
1675 Brandon Hall Drive
Dunwoody, GA 30350

If to the Company:

5775 Peachtree Dunwoody Road
Suite B-200
Atlanta, Georgia 30342

Attention: Company Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

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(d) 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.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c) (i)-(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.

(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, if any, 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.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ MICHAEL T. RAND

Michael T. Rand

BEAZER HOMES USA, INC.

By /s/ IAN J. MCCARTHY

Name: Ian J. McCarthy

Title: President/CEO

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QuickLinks

[EXHIBIT 10.19](#)

[EMPLOYMENT AGREEMENT](#)

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is entered into as of the 17th day of December, 2002, by and between Beazer Homes USA, Inc., a Delaware corporation (the "Company") and Michael T. Rand (the "Executive"), an individual resident in the State of Georgia.

WITNESSETH:

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, Corporate Controller, subject to the direction of the Executive Vice President and Chief Financial Officer of the Company (the "CFO") and, in connection therewith, to perform such duties as he shall reasonably be directed by the CFO 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, with the approval of the Board or the CFO, 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 CFO'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, 2003 (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 \$200,000, 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 January 1, 2004 and on each January 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 Amended and Restated 1999 Stock Incentive Plan) at the discretion of the Compensation 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 CFO 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;

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(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 CFO 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(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 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(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 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

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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 Compete.* Executive recognizes and acknowledges that the Company is placing its confidence and trust in Executive. Executive, therefore, covenants and agrees that during the Applicable Non-Compete Period (as defined below) Executive shall not, either directly or indirectly, without the prior written consent of the Board:

(1) Engage in or carry on any business or in any way become associated with any business which is similar to or is in competition with the Business of the Company (as such term is used and defined herein). As used in this Section 5, the term "Business of the Company" shall include all business activities in which the Company is now engaged, including but not limited to, the purchase of land (or options therefor) for development and the construction of residential homes for resale to consumers and shall further include any business in which the Company is engaged at any time during the Term;

(2) Solicit the business of any person or entity, on behalf of himself or any other person or entity, which is or has been at any time during the term of this Agreement a customer or supplier of the Company including, but not limited to, former or present customers or suppliers with whom Executive has had personal contact during, or by reason of, his relationship with the Company;

(3) Be or become an employee, agent, consultant, representative, director or officer of, or be otherwise in any manner associated with, any person, firm, corporation, association or other entity which is engaged in or is carrying on any business which is similar to or in competition with the Business of the Company;

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(4) 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; or

(5) Be or become a shareholder, joint venturer, owner (in whole or in part), or partner, or be or become associated with or have any proprietary or financial interest in or of any firm, corporation, association or other entity which is engaged in or is carrying on any business which is similar to or in competition with the Business of the Company. Notwithstanding the proceeding sentence, passive equity investments by Executive of \$25,000 or less in any entity or affiliated group of any entity which is engaged in or is carrying on any business which is similar to or in competition with the Business of the Company shall not be deemed to violate this Section 5.1.

Executive hereby recognizes and acknowledges that the existing Business of the Company extends throughout the States of Georgia, Tennessee, South Carolina, North Carolina, Texas, California, Arizona, Nevada, Florida, Maryland, New Jersey, Pennsylvania, Virginia, Colorado, District of Columbia, Indiana, Ohio, Kentucky, Mississippi and Delaware and therefore agrees that the covenants not to compete contained in this Section 5.1 shall be applicable in and throughout such states as well as throughout such additional areas and states in which the Company may be (or has prepared written plans to be) doing business as of the date of termination of Executive's employment. Executive further warrants and represents that, because of his varied skill and abilities, he does not need to compete with the Business of the Company and that this Agreement will not prevent him from earning a livelihood and acknowledges that the restrictions contained in this Section 5.1 constitute reasonable protections for the Company.

As used in this Section 5.1, "Applicable Non-Compete Period" shall mean: (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 December 17, 2002 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 hereof or Section 4.3 hereof or for any other reason (other than as set forth in clause (c) below), the period beginning on December 17, 2002 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 December 17, 2002 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 December 17, 2002 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 December 17, 2002 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)

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.

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: 404-250-3575
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If to the Executive:	Michael T. Rand 1675 Brandon Hall Drive Dunwoody, Georgia 30350
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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 December 17, 2002.

/s/ MICHAEL T. RAND

Michael T. Rand

BEAZER HOMES USA, INC.

/s/ IAN J. MCCARTHY

Ian J. McCarthy
President / CEO

QuickLinks

[EXHIBIT 10.20](#)

[EMPLOYMENT AGREEMENT](#)



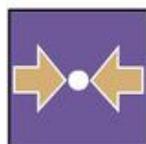
Beazer Homes USA, Inc.
5775 Peachtree Dunwoody Road
Suite B 200
Atlanta, Georgia 30342

(404) 250-3420
www.beazer.com



2002 Annual Report

POSITIVE



INDICATORS

Business Description

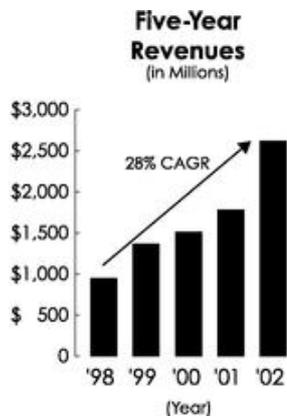
Beazer Homes USA, Inc. is the sixth largest homebuilder in the country. Our operations are geographically diversified in 18 states in the Southeast, West, Central, Mid-Atlantic and Midwest U.S. Our market strategy focuses on building quality homes targeted to entry-level and first-time move-up homebuyers. We measure our financial performance using "Value Created," a variation of economic value added that measures the extent to which we beat our cost of capital. Founded in 1985, we are headquartered in Atlanta, Georgia, and have been listed on the New York Stock Exchange since 1994 under the symbol "BZH."

Financial Highlights

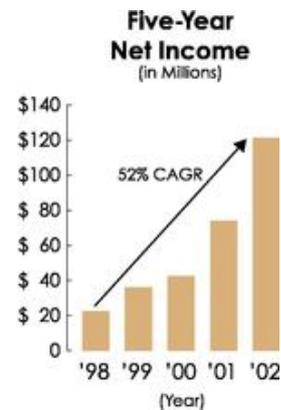
(dollars in thousands, except per share amounts)

Year ended September 30,	2002	2001	2000
Statements of Operations Data			
Homes closed	13,603	9,059	7,857
Total revenue	\$ 2,641,173	\$ 1,805,177	\$ 1,527,865
Net income	122,634	74,876	43,606
Diluted earnings per share	10.74	8.18	5.05
Balance Sheet at Year-End			
Total assets	\$ 1,892,847	\$ 995,289	\$ 696,228
Total debt	739,100	395,238	252,349
Stockholders' equity	799,515	351,195	270,538
Return Data			
Return on average capital (pre-tax)	21.4%	24.8%	20.4%
Return on average equity	21.3%	24.1%	17.3%

See footnotes to Selected Financial Data on page 22 for certain definitions.



Revenues increased at a compound annual growth rate of 28% over the past four years, as Beazer both grew existing operations and expanded through acquisition.



Net income grew consistently over the past four years at a significantly higher rate than revenues. Our compound annual growth rate of 52% reflects both revenue growth and steady improvements in profit margins.

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BEAZER HOMES USA, INC.

A Positive in the Community



IN MEMORIUM

Richard (Dick) H. Cresser:
1938-2002

It is with much sadness that we mourn the passing of Richard (Dick) H. Cresser. Dick was the co-founder, with John B. Scheumann, of Crossmann Communities in 1971. Dick was a passionate advocate of providing homes for first-time buyers. He led Crossmann Communities' drive into providing affordable housing throughout the company's Midwest and Southeast markets.

At Beazer Homes we are honored to uphold Dick's vision as we incorporate Crossmann Communities into our Company.

Dick was also committed to providing opportunities for students to advance their education. He initiated the Crossmann Communities Scholarship Fund which currently provides college scholarships to high school graduates from communities which



Above
Children's Receiving Home, Phase II Sacramento, CA

Right
Brighter Tomorrows, Dallas, Texas, serving women and children affected by domestic violence



Nothing can replace the feeling of being part of a community. Unfortunately, thousands of people across this great country have lost that feeling, often due to circumstances beyond their control. This is one of the many reasons why Beazer Homes is so strongly committed to its mission of giving back to the communities in which it builds.

This mission led Beazer Homes to begin a relationship with HomeAid America in July of 1999 and join a commitment to building hope and homes for the temporarily homeless. As the first national sponsor of HomeAid, Beazer Homes has taken a leadership role with this worthy organization. The company is a national sponsor through an annual pledge to HomeAid and is actively involved with local HomeAid chapters throughout the United States. Since 1999, Beazer has assisted HomeAid in six projects. Beazer's past projects included building and renovating shelters in Dallas, Texas; Northern Virginia; Orange County, California; and Sacramento, California. Beazer's Atlanta, Denver and Houston divisions are currently working with local chapters on shelter projects.

Crossmann builds. In recognition of Dick's commitment and achievement we have renamed this fund "The Richard H. Crosser Memorial Scholarship Fund." We will miss Dick's presence and vision and are proud to honor his contributions to our industry and to education through this scholarship fund.

Led by the example of President and CEO Ian McCarthy, who currently serves as Chairman of HomeAid America's Advisory Board, Beazer employees contribute their talents and time to construction projects and other fundraising events for HomeAid.

"I am extremely proud of our Beazer team and their generosity throughout the year," says Mr. McCarthy. "We feel fortunate as a company to be able to share our resources with those individuals who need them, and we continue to join our hands and hearts to build hope with HomeAid."

Beazer is now joining hands to help HomeAid establish a new Las Vegas, Nevada, chapter. Beazer has partnered with Georgia Pacific to build a shelter at the National Association of Home Builders' (NAHB) International Builders Show in Las Vegas in January of 2003 that will become a home for children who are escaping a violent or abusive environment.

According to Kent Lay, Senior Regional President of Beazer's Mountain West Region, "Our team has embraced this project and is excited about the opportunity to work with our partners to present this gift to the Las Vegas community. It has been a rewarding experience and we hope to be part of future projects as well."

Beazer Homes is honored to be associated with such a worthy organization as HomeAid America that provides a safe haven and brings hope to thousands of people while helping them reconnect with a sense of community.



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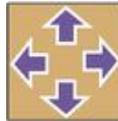
More Demand



Less Supply



Expanding Share



POSITIVE INDICATORS

Our expectations for continued growth are based on three key industry trends: **Increased demand** due to continued strong household formation and flexible financing options, **historically low levels of housing supply** due to land and capital constraints, and **expanding market share** for large builders who are leading industry consolidation. These indicators are amplified on the following pages. These are the same dynamics that have pushed housing into one of the top-performing sectors of the economy in recent years, and we believe they will continue to be industry growth drivers for the foreseeable future.

1

POSITIVE INDICATORS



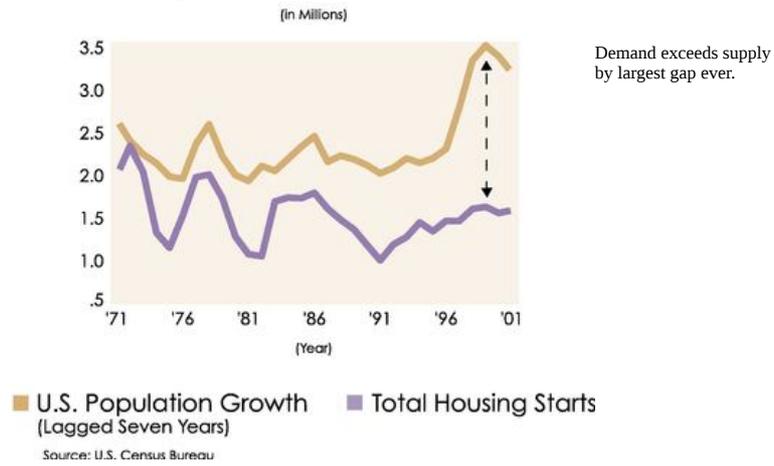
More Demand

"With 24 million new households expected to form between 2000 and 2020, the housing sector is poised to set new records for production, sales and aggregate home equity."

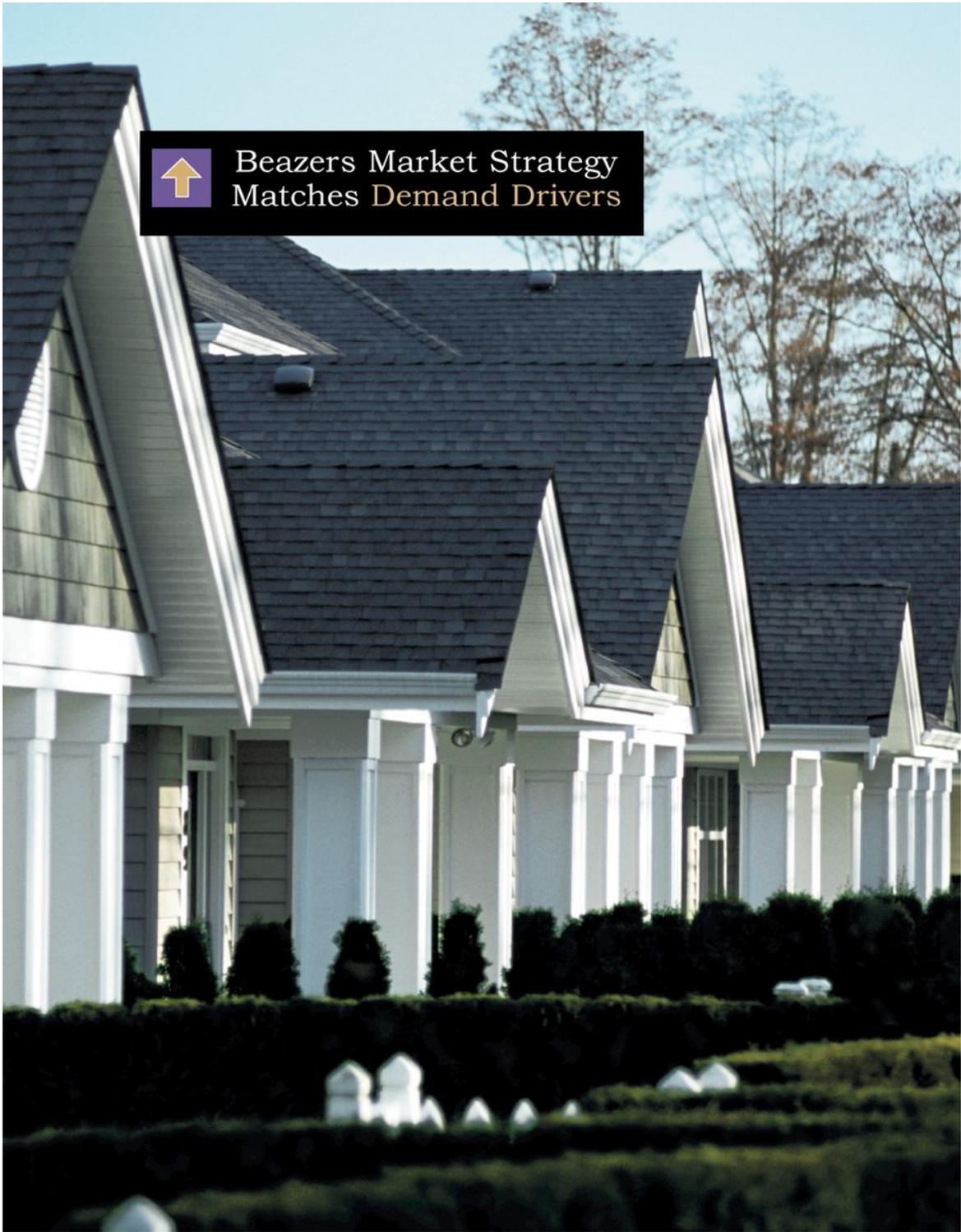
The State of the Nation's Housing 2002
Joint Center for Housing Studies of Harvard University

2

U.S. Housing Starts vs. Population Growth



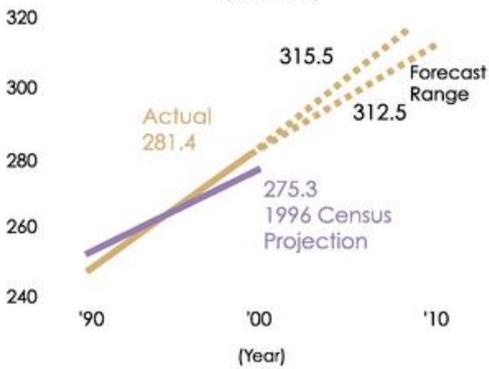
- Annual household formation over the next decade should be comparable to the impressive levels of the 1990s. This will continue to drive demand.
- Household formation will be influenced largely by two key groups—immigrants and echo boomers—both of whom will drive the market for affordable starter homes.
- A variety of financing options now available make home purchase decisions less sensitive than ever to interest rates and the economy, thereby making demand more consistent.



**Beazers Market Strategy
Matches Demand Drivers**

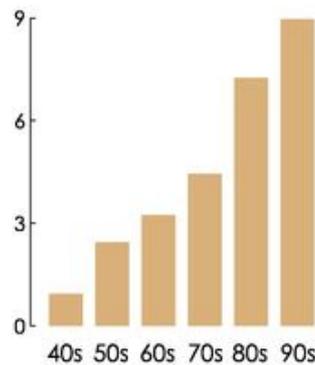
POSITIVE INDICATORS

U.S. Population
(in Millions)



Source: U.S. Census Bureau and Fannie Mae

Immigration to U.S.
(in Millions)



Source: U.S. Immigration and Naturalization Service

Homebuilders have enjoyed a decade of strong growth thanks to a sound economy, available financing and an expanding population. And there is every indication that this growth can continue well into the foreseeable future.

Continued household formation, fueled by record population increases during the 1990s, will be one of the biggest drivers of demand. Over the next ten years, 1.2 million new households are expected to form annually, approximately the same level experienced during the 1990s. As in the 1990s, minorities will account for a large percentage of this growth—by some estimates as much as two-thirds—mostly due to the increasing number of immigrant households. Today, more than one in ten U.S. residents is foreign born. These new U.S. immigrants and their children will remain primary drivers of household formation in the current decade as they become first-time homebuyers in increasing numbers.

Housing demand also will be influenced by a demographic that was not part of the 1990s growth surge—the echo boomers. Children of the baby boomers will begin forming new households through the rest of this decade. The effect of the echo boomers and immigrant households will drive, in particular, demand for first-time homes.

Though many attribute recent housing growth to a low interest rate environment, the actual financing dynamic is a different one. The real influence in home financing has been the explosion of flexible financing options and innovative mortgage products that have enabled millions of households to become first-time buyers. In contrast to the days when a 30-year fixed-rate loan was the primary lending instrument, today more than 100 different mortgage products are available to buyers. When interest rates rise appreciably, as they did in 1999 and early 2000, adjustable rate mortgage products, including those with rates fixed for three or five years, become even more popular. This, in turn, makes the housing sector much less cyclical than in the past.

POSITIVE INDICATORS

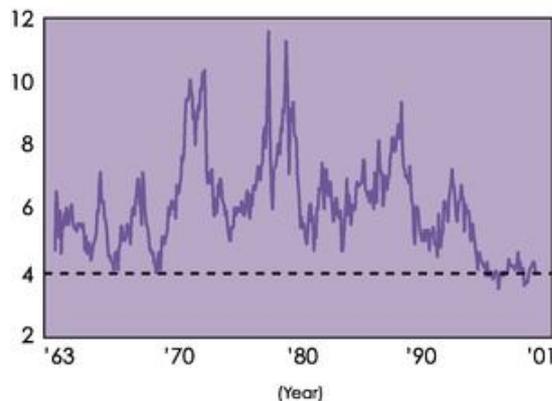


Less Supply

" All of these trends have hit up against mounting constraints on new housing supply. Builders are limited by tighter environmental and land-use regulations..."

The Wall Street Journal
May 15, 2001

Months Supply of Unsold New Homes



Current inventory of new homes available for sale is at its lowest level ever.

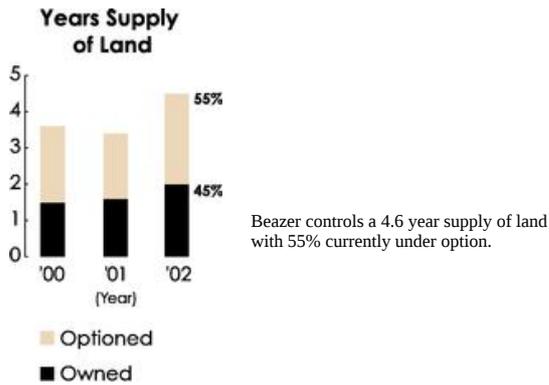
Source: U.S. Census Bureau

- Land constraints, due to concerns about urban sprawl and unplanned growth, are making the development process more arduous through lengthy permitting and entitlement processes.
- Large builders have the professional management and capital resources to succeed in a more competitive land purchase and entitlement process. With a lower cost of capital, these builders have a pricing advantage in the marketplace.
- As a result of land constraints and more fiscal discipline among builders, the inventory of new homes available for sale in the U.S. is at a historical low.




Beazers Land Strategy Stays Ahead of Tightening Resources

POSITIVE INDICATORS



Despite a recession in the U.S. economy, new home inventory remains at a historical low. Total housing starts for the past five years have been in line with the average level of the past 30 years. And the supply of unsold homes, at four months, is at its lowest point since the early 1960s. What has kept supply in check? Quite simply, land, or actually the lack thereof.

In the past, the housing industry had a history of overbuilding during boom times. Land constraints have become a major factor in keeping inventories low in recent years. Even when land is acquired, the entitlement and permitting process presents significantly more hurdles to overcome because of tougher ordinances designed to curb growth and restrain urban sprawl. Local and state governments are more insistent that population growth be in line with infrastructure improvements and better planned zoning. As a result, the timeframe to acquire and develop land can easily extend to a three-year to seven-year period.

In an environment where development requires more investment and time, the advantage is overwhelmingly with large, national builders. These builders have better access to capital and better financing alternatives than smaller non-public builders. They also have the professional management it takes to manage the current land planning process. These factors give the largest builders a true competitive advantage.

As the sixth largest builder in the nation, Beazer is capitalizing on these benefits. The Company's land bank is sufficient to sustain growth for years to come. With 55 percent of the Company's land bank under option, this position has the flexibility to weather market fluctuations. In addition, the Company's solid balance sheet provides it with excellent access to the capital markets.



9

POSITIVE INDICATORS



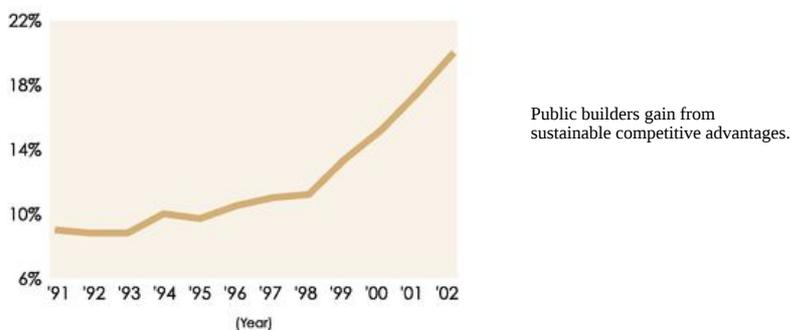
Expanding Share

"I think one of the things that's occurring in the country is the evolution of housing into a very sophisticated, complex industry..."

Alan Greenspan, Chairman of the Federal Reserve
 Testimony before the Senate Banking Committee
 July 24, 2001
 as quoted in *The New York Times*

10

Top-Ten Homebuilders' Market Share
 (Based On New Home Sales)



- Large national builders have doubled their share in the past five years to approximately 20 percent of new home sales.
- Industry consolidation is expected to continue given the numerous competitive advantages that large builders have in the marketplace.
- Acquisitions and expanding market share have been and will continue to be a key part of Beazer's growth strategy.

11



Beazer's Acquisition Strategy Builds Expanding Share

12

POSITIVE INDICATORS

Over the past decade, a new class of home-builder has emerged. These are large, national, well-financed companies — most of them public. As a group, the public homebuilders were among the top five fastest-growing industries in revenues and profits last year and have generated a higher return to shareholders than almost any other industry group over the last five years.

This performance is due in part to rapidly gaining market share. It was only about five years ago that the top-ten builders claimed less than ten percent of new home sales. Today, their share has doubled to nearly 20 percent. Even more impressive, in an environment where housing starts are relatively flat, net income for these top-ten builders has grown an average of more than 40 percent annually for the past five years.

Clearly, conditions favor big builders. Beyond access to land and capital, they have dramatic critical mass advantages. Purchasing power provides a considerable cost benefit. Beazer, for instance, has numerous national contracts with suppliers of services and materials for the thousands of homes it constructs each year. Large builders like Beazer also have the opportunity to build brand reputation among consumers — a significant selling point in a personal investment as important as a home. Large builders can pass these advantages to the buyer in the form of better quality and value than a smaller builder can offer.

In addition to organic growth in market share, the large homebuilders are in an aggressive acquisition mode. Beazer has successfully completed three major acquisitions in the past four years. Not only have these transactions grown Beazer's operations base, they also have further diversified the Company's geographic coverage. Now in 18 states across the Southeast, West, Central, Mid-Atlantic and Midwest U.S., Beazer is able to capitalize on high-growth markets while spreading its geographic reach through diverse regional economies.

Major Acquisitions in Last Ten Years

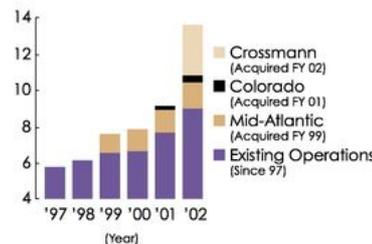
Name	Region	Purchase Date
Watt Housing	West	February 1993
Trendmaker Homes—Dallas	Central	June 1996
Calton Homes—Orlando	Southeast	November 1997
Trafalgar	Mid-Atlantic	December 1998
Sanford Homes—Denver	West	August 2001
Crossmann	Midwest	April 2002

Net Income for Top-Ten Builders vs. U.S. Housing Starts



Net income for top-ten builders soared in a flat housing environment.

Home Closings (in Thousands)



Beazer has experienced dramatic and consistent growth in both existing and acquired divisions.

BEAZER HOMES USA, INC.

Dear Shareholders

It is difficult to write this year's letter without overusing the word "strong." On every front and by every benchmark, Beazer Homes is indeed the strongest it has ever been. And, there is every reason to believe that our very strong Company will grow even stronger in the future, based on the positive demographic, economic and industry indicators before us:

- Increasing Demand,
- Constrained Supply, and
- Increasing Market Share for Larger Builders.

This confidence in our position is particularly striking given the circumstances of the past year. In the midst of overall challenging business conditions, we achieved record earnings of \$10.74 per share, exceeding our five-year target of \$9.00 per share two years early. We also produced record new orders and year-end backlog. These accomplishments demonstrate how well our corporate strategies have been formulated to capitalize on the fundamentals of the housing market and the dynamic changes occurring within the industry.

LETTER TO SHAREHOLDERS

Perhaps the most visible indication of Beazer's strength is its ranking as the sixth largest homebuilder in the U.S. based on home closings. Just one year ago, we were in ninth position; when we became a public company eight years ago, we held the eleventh position. While much of our ability to move up in industry rankings has been through internal growth, this major jump in the past 12 months is the result of the largest acquisition that Beazer has completed to date.

Last April, Crossmann Communities (NASDAQ: CROS) became part of Beazer Homes in a stock/cash transaction valued at approximately \$626 million. Founded in 1973, Crossmann was a leading regional builder of single-family homes in Indiana—its home base—with operations in Kentucky, Mississippi, North Carolina, Ohio, South Carolina and Tennessee. The Beazer-Crossmann combination is an excellent strategic fit that provides us with clear benefits, including:

- A significant increase in size,
- An enhanced presence in the first-time-buyer market,
- A strengthened land position, and
- An expanded geographical reach.

These benefits encapsulate perfectly the industry trends outlined on the preceding pages and place Beazer in an excellent position to capitalize on them. In particular, with an average home sales price of under \$140,000 for homes closed, Crossmann's emphasis on providing value to the first-time homebuyer complements our strategic focus.

A SIGNIFICANT INCREASE IN SIZE

This era in homebuilding clearly belongs to the big builder. With access to attractive capital, the ability to secure prime land and the critical mass to leverage costs, larger builders are simply more competitive than their smaller



counterparts. These competitive factors combined with a still highly fragmented homebuilding industry should result in significant consolidation during the next several years.

In this scenario, a bigger Beazer Homes is a more competitive Beazer Homes. Our position among the nation's top-ten builders is solidified, based on more than 13,600 home closings in 2002. Our revenue base has grown to more than \$2.6 billion in 2002, while shareholders' equity increased 128 percent. This expansion of our financial base strengthens our ability to further grow the Company and increases liquidity for our investors.

Brian C. Beazer (*standing*)
Non-Executive Chairman of the Board

Ian J. McCarthy (*seated*)
President and Chief Executive Officer

BEAZER HOMES USA, INC.

AN ENHANCED PRESENCE IN THE FIRST-TIME-BUYER MARKET

Census data points to continued strong household formation over the next decade, largely driven by echo boomers and immigrants to the United States. Aided by today's variety of financing options, these buyers should ensure strong demand for affordable, entry-level homes for the foreseeable future.

We target the first-time buyer, which we believe to be the largest, most underserved segment of the market. Because these purchases are usually based more on need rather than discretionary choice, these buyers are among the most motivated in the market and the least likely to postpone a home purchase.

A STRENGTHENED LAND POSITION

Concern over urban sprawl issues, more stringent entitlement processes and the challenge of securing prime locations have made land availability a huge and growing competitive factor for builders today. Builders must have the financial resources to acquire ever-more-valuable land, as well as the financial flexibility to control the land during what is often a protracted approval and development process. At the end of fiscal 2002, we had a four-and-a-half-year supply of land, of which 55 percent was under option.

AN EXPANDED GEOGRAPHICAL REACH

A broad and diverse geographical base has long been one of our most important assets. Beazer has historically enjoyed a strong presence across the high-growth southeastern and western sunbelts. In recent years, acquisitions have enabled us to expand into even more markets, such as the Mid-Atlantic region and Colorado. The addition of Crossmann Communities to the Beazer family of builders further broadens our geographic scope by opening the Midwest region and allowing us to further solidify our market position in the Southeast.

ANOTHER RECORD PERFORMANCE

A bit of background is helpful in putting our 2002 fiscal results into perspective. In 1999, we introduced a five-year plan with an ambitious goal: to more than double EPS to \$9.00 per share by 2004. This goal was exceeded in fiscal 2002—we earned \$10.74—two full years ahead of schedule.

Our fiscal 2002 performance was driven by:

- Strong growth as represented by a 46 percent increase in revenues to \$2.6 billion.
- Improved operating profit margin of 7.3 percent, 50 basis points higher than fiscal 2001.

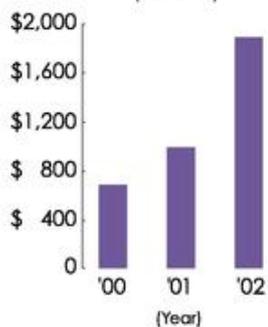
As a result of these factors, net income rose 64 percent to \$122.6 million. This achievement was based on a 50 percent increase in home closings, including Crossmann, or a 20 percent increase in home closings based on existing operations. For the year, Beazer had 13,610 new orders for homes, a 36 percent increase over fiscal 2001. Perhaps most encouraging, we were able to begin fiscal 2003 with a record 6,519 homes in backlog with a sales value of \$1.3 billion, up 67 percent over 2001.

Complementing an extremely positive income statement is an extremely strong balance sheet. At year-end, our ratio of debt to capitalization was 48 percent, compared to 53 percent last year, while interest coverage (earnings before interest, taxes, depreciation and amortization—or EBITDA—divided by interest incurred), for the last fiscal year was 5.0 times compared to 4.6 times at year-end for fiscal 2001. With a cash balance of \$125 million at year-end, our net debt to

capitalization was 43 percent. These improvements in debt to total capitalization and cash position reflect \$59 million of cash flow provided by operations, as well as the successful issuance of 3.9 million shares of common stock and \$350 million in 8³/₈ percent Senior Notes in connection with our acquisition of Crossmann Communities.

LETTER TO SHAREHOLDERS

Total Assets
(in Millions)



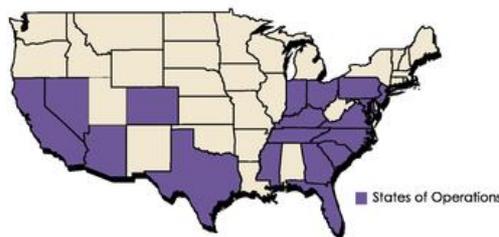
Total Capitalization
(in Millions)



Significant Events

- Became sixth largest homebuilder in the U.S. based on home closings.
- Completed acquisition of Crossmann Communities (NASDAQ: CROS) — largest acquisition to date.
- Achieved five-year EPS target two years ahead of schedule.
- Set new records for revenue, gross profit margins and earnings per share.
- Reached all-time highs for number of homes closed, new orders and year-end backlog.
- Improved credit ratings. Reduced leverage and improved financial position.
- Named top technology company by *Builder Magazine*.
- Named #1 Performing Public Company in Georgia by the *Atlanta Journal-Constitution*.
- Dramatically increased shareholders' equity and market capitalization.

Beazer's Locations



We have significantly increased our asset and capital base over the past three years while maintaining a conservative capital structure with a ratio of debt to total capitalization of 48% at September 30, 2002.

BEAZER HOMES USA, INC.

The Company's outstanding 2002 results and overall sound financial position were recognized by the agencies that rate our debt. During a year with significant growth, a major acquisition and a challenging economic environment, Moody's reaffirmed our credit rating and Standard & Poor's upgraded us from BB- to BB.

PROFITABLE GROWTH ROOTED IN OPERATIONAL STRENGTH

While the Company's strategic and financial strength bode well for the future, it is Beazer's operational strength — the ability to execute—that is the critical part of our potential for profitable growth. Our operating profit margin increased 50 basis points to 7.3 percent for the year. This improvement is due to sales price increases during the year, as well as increased efficiency and purchasing power across an expanded base of operations.

Our passion for technology continues to be a vital part of our operational strength. Indeed, as the winner of the *Builder Magazine* Top Technology Award, the Company was cited as "the builder who has done the most to advance the use of technology within the Company and the industry during the past year."

"... it is Beazer's operational strength—the ability to execute—that is the critical part of our potential for profitable growth."

These technology endeavors over the past year have included innovative marketing initiatives, such as auctioning homes on eBay and introducing a Spanish-language version of www.beazer.com. Another revolutionary initiative was the introduction of Advanced Home Finder as a selling tool on our Web site. With more than 60 percent of our homebuyers using the Internet during their home search process, this advanced search engine allows them to rank their priorities for

home features — such as commute distance, community amenities, price or home design. Once preferences are analyzed, a list of homes is provided that best suits their criteria. By helping buyers sort through the inherent trade-offs in a home purchase, the Advanced Home Finder functions essentially as an online selling agent.

A final point on technology: perhaps one of the most exciting aspects of integrating technology throughout a business is the ability to leverage it. With every acquisition that we complete, there is the opportunity to scale our technology across an even wider base — an incremental investment that can reap substantial returns.

THE PEOPLE FACTOR

While Beazer's scale is enabling us to realize more and more efficiencies, it is important to remember that in our business, productivity ultimately happens every day on a grassroots level — at numerous construction sites and sales offices across the country. We would be remiss if we did not acknowledge the nearly 3,000 Beazer employees, and many more subcontractors and suppliers, who have produced this year's results and who are the personification of our corporate strengths. To each of them, we extend our most sincere, heartfelt gratitude.

The efforts and commitment of all Beazer employees were recognized during 2002 when Beazer Homes was named the #1 Performing Public Company in Georgia by the *Atlanta Journal-Constitution's* annual ranking of the top 100 public companies in the state. The criteria for this ranking include revenue, revenue growth, return on equity, profit margin improvement and return to shareholders.

THE MANAGEMENT FACTOR

As shareholders, it is important for you to know that Beazer is in good hands in management and in the boardroom. The senior management team that took the Company public in 1994 is still intact today, supplemented with additional experienced and motivated

managers as we have grown. The depth, quality and strength of our management team provide the foundation upon which we will build an even stronger and more productive company.

During the year, the board of directors expanded from seven to eight members. We welcomed to the board Laurent Alpert, a partner in Cleary, Gottlieb, Steen & Hamilton, a major international law firm, and Maureen O'Connell, executive vice president, chief financial officer and chief administrative officer of Gartner, Inc. George W. Mefferd, who was a director since our IPO, retired after eight years of service. We are deeply appreciative of his many contributions to the Company and years of service. With these changes, the board continues its tradition of splitting the roles of Chairman and CEO, having a majority of outside directors and an independent audit committee.

"... we are targeting 14 percent EPS growth to \$12.25 per share in 2003. Our willingness to set this target is based on all of the demographic and industry data that we have outlined in this report..."

CONTINUED GROWTH IN 2003

Despite an economic outlook that appears to be as challenging as the past year's, we are targeting 14 percent EPS growth to \$12.25 per share in 2003. Our willingness to set this target is based on all of the demographic and industry data that we have outlined in this report, as well as our internal trends, including a backlog of \$1.3 billion in sales. We recognize that this target is subject to future economic uncertainties.

This target underscores our belief that the so-called housing "bubble" is, in fact, a myth. While many continue to wait for this bubble to burst, we agree with most respected economists that there has never been a national housing bubble in the U.S. The overall average price of homes in the U.S. has never gone down in any year since the Great Depression in the early 1930s. Further, the "bubble" notion ignores the fundamental dynamics of supply and demand. Strong demand is arising from dramatic population increases in the 1990s that should continue to drive household formation. Tight supply is largely a function of land constraints that have held inventories in check. Neither the demand nor the supply portions of the equation are likely to change in the foreseeable future. Combine these factors with industry consolidation and you have very strong indicators of future growth.

As we said earlier, this year's letter emphasizes the word "strong," and that includes our opinions. But more importantly it expresses the degree of confidence that we have in Beazer Homes and our level of enthusiasm about its future. We intend to maintain both, and to make a strong Beazer an even stronger performer. We appreciate your continued support.

Sincerely,



Brian C. Beazer
Non-Executive Chairman of the Board



Ian J. McCarthy
President and Chief Executive Officer

December 13, 2002

BEAZER HOMES USA, INC.

Board of Directors

BRIAN C. BEAZER, 67, Non-executive Chairman since IPO in 1994. He served as Chairman and Chief Executive Officer of Beazer PLC until 1991. Mr. Beazer is a Director of Beazer Japan, Ltd., Seal Mint, Ltd., Jade Technologies Singapore Pte. Ltd., FSM Europe B.V., Electronic Convergence Technology Ltd., United Pacific Industries Limited, U.S. Industries, Inc. and Numerex Corp.

LAURENT ALPERT, 55, Director since February 2002. Mr. Alpert is a partner in Cleary, Gottlieb, Steen & Hamilton. He joined Cleary Gottlieb in 1972 and became a partner in 1980. Mr. Alpert is also a Director of the International Rescue Committee.

THOMAS B. HOWARD, JR., 74, Director since 1995. He held various positions with Gifford-Hill & Company from 1969 to 1992, including Chairman and Chief Executive Officer. During the period 1957 to 1969, Mr. Howard held various positions with Vulcan Materials Company. Mr. Howard currently serves on the Board of Trustees of the Methodist Hospitals Foundation and previously served as a Director of Lennox International, Inc., Director of the Dallas Chamber of Commerce and member of the Dallas Citizens Council.

IAN J. MCCARTHY, 49, President and CEO of Beazer and has served as a Director since IPO in 1994. Mr. McCarthy has served as President of predecessors of Beazer since January 1991. During the period May 1981 to January 1991, Mr. McCarthy was employed in Hong Kong and Thailand, becoming a Director of Beazer Far East and, from January 1980 to May 1981, was employed by Kier, Ltd., which became an indirect, wholly owned subsidiary of Beazer PLC. Mr. McCarthy currently serves as Chairman of HomeAid America's National Advisory Board.

DAVID E. (NED) MUNDELL, 70, Director since IPO in 1994. Mr. Mundell is currently an advisor and Director of ORIX USA Corporation, a financial services company, and served as Chairman of ORIX from 1991 to 1999. During the period 1959 to 1990, Mr. Mundell held various positions within United States Leasing International, Inc., retiring as Chairman in 1990. He is also a Director of Stockton Holdings, Ltd.

MAUREEN E. O'CONNELL, 40, Director since May 2002. In September 2002, Ms. O'Connell joined Gartner, Inc. as its Executive Vice President, CFO and Chief Administrative Officer. Prior to joining Gartner, Ms. O'Connell was the CFO of Barnes & Noble, Inc. since 2000. She also held similar positions at Publishers Clearing House from 1998 to 2000, BMG Direct from 1997 to 1998 and Primedia, Inc. from 1990 to 1997. Ms. O'Connell was employed by Equitable Financial Companies from 1988 to 1990 and Coopers and Lybrand from 1985 to 1988.

LARRY T. SOLARI, 60, Director since IPO in 1994. From 1998 to 2001, Mr. Solari was the Chairman and CEO of BSI Holdings, Inc. in Carmel, California. Prior to joining BSI, Mr. Solari was the Chairman and CEO of Sequentia, Inc., the President of the Building Materials Group of Domtar, Inc., and the President of the Construction Products Group for Owens-Corning Fiberglas. Mr. Solari currently is a Director of Pacific Coast Building Products, Inc., and Therma-Tru, Inc. He has also been a Director of the Policy Advisory Board of the Harvard Joint Center for Housing Studies and an Advisory Board Member of the National Home Builders Association.

DAVID S. WEISS, 42, Executive Vice President and CFO of Beazer and a Director since IPO in 1994. Mr. Weiss was the Assistant Corporate Controller of Hanson Industries for the period from February 1993 to March 1994. Mr. Weiss was Manager of Financial Reporting for Colgate-Palmolive Company from November 1991 to February 1993 and was with the firm Deloitte & Touche from 1982 to November 1991.

For more complete biographies of Directors, see Beazer's Proxy Statement.



(from left to right) Laurent Alpert, Thomas B. Howard, Jr., David E. (Ned) Mundell and Brian C. Beazer



(from left to right) Ian J. McCarthy, Larry T. Solari, Maureen E. O'Connell and David S. Weiss

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Selected Financial Data

Beazer Homes USA, Inc.

(dollars in thousands, except per share amounts)

Year ended September 30,	2002	2001	2000	1999	1998
STATEMENT OF OPERATIONS DATA:					
Total revenue	\$ 2,641,173	\$ 1,805,177	\$ 1,527,865	\$ 1,394,074	\$ 977,409
Operating income	193,174	122,229	75,623	61,800	36,916
Net income	122,634	74,876 (i)	43,606	36,934	23,201
Net income per common share:					
Basic	11.64	9.19 (i)	5.28	4.59	3.27
Diluted	10.74	8.18 (i)	5.05	4.15	2.66
BALANCE SHEET DATA (END OF YEAR):					
Cash	\$ 124,989	\$ 41,678	\$ —	\$ —	\$ 67,608
Inventory	1,364,133	844,737	629,663	532,559	405,095
Total assets	1,892,847	995,289	696,228	594,568	525,591
Total debt	739,100	395,238	252,349	215,000	215,000
Stockholders' equity	799,515	351,195	270,538	234,662	199,224
SUPPLEMENTAL FINANCIAL DATA:					
Cash provided by/(used in):					
Operating activities	\$ 59,464	\$ (25,578)	\$ (18,726)	\$ 34,080	\$ 27,149
Investing activities	(314,633)	(72,835)	(11,805)	(98,004)	(23,741)
Financing activities	338,480	140,091	30,531	(3,684)	62,933
EBIT (ii)	245,060	157,185 (i)	99,189	86,013	56,525
EBITDA (ii)	254,513	166,438 (i)	106,041	91,521	59,794
Interest incurred	51,171	35,825	30,897	26,874	21,259
EBIT/interest incurred	4.79x	4.39x	3.21x	3.20x	2.66x
EBITDA/interest incurred	4.97x	4.65x	3.43x	3.41x	2.81x
FINANCIAL STATISTICS (iii):					
Total debt as a percentage of total debt and stockholders' equity	48.0%	53.0%	48.3%	47.8%	51.9%
Asset turnover	1.83x	2.13x	2.37x	2.49x	2.11x
EBIT margin	9.3%	8.7%	6.5%	6.2%	5.8%
Return on average assets (pre-tax)	17.0%	18.6%	15.4%	15.4%	12.2%
Return on average capital (pre-tax)	21.4%	24.8%	20.4%	19.9%	15.3%
Return on average equity	21.3%	24.1%	17.3%	17.0%	12.3%

(i) Fiscal 2001 results include the effect of a \$733 (net of taxes) extraordinary loss on the early extinguishment of debt. Excluding the extraordinary item, net income and diluted net income per share for fiscal 2001 are \$75,609 and \$8.26, respectively.

(ii) EBIT and EBITDA: EBIT (earnings before interest and taxes) equals net income before (a) previously capitalized interest amortized to costs and expenses; and (b) income taxes. EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated by adding depreciation and amortization for the period to EBIT. EBITDA is commonly used to analyze companies on the basis of operating performance, leverage and liquidity. EBIT and EBITDA are not intended to represent cash flows for the period nor have they been presented as an alternative to net income as an indicator of operating performance. EBITDA is a non-GAAP measure and may not be comparable to similarly titled measures reported by other companies.

(iii) Asset turnover equals (total revenue divided by average total assets); EBIT margin equals (EBIT divided by total revenues); Return on average assets equals (EBIT divided by average total assets); Return on average capital equals (EBIT divided by average total debt plus stockholders' equity); Return on average equity equals (net income divided by average stockholders' equity).

Management's Responsibility for Financial Reporting and System of Internal Controls

Beazer Homes USA, Inc.

FINANCIAL STATEMENTS

The accompanying consolidated financial statements are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include amounts based on management's best estimates and judgments.

The Company's consolidated financial statements have been audited by Deloitte & Touche LLP, independent auditors, who were given unrestricted access to all financial records and related data. The Company believes that all representations made to the independent auditors during their audit were valid and appropriate.

SYSTEM OF INTERNAL CONTROLS

The Company maintains a system of internal controls over financial recording and reporting which is designed to provide reasonable assurance that assets are safeguarded and transactions are recorded in accordance with the Company's policies and procedures and which ultimately will result in the preparation of reliable financial statements. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective internal control system has inherent limitations—including the possibility of the overriding of controls—and therefore can provide only reasonable, not absolute, assurance with respect to financial statement preparation.

The Company has assessed its internal control system as of September 30, 2002, in relation to criteria for effective internal control over preparation of its published annual (and interim) financial statements described in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commissions. Based on this assessment, the Company believes that, as of September 30, 2002, its system of internal controls over the preparation of its published annual (and interim) financial statements met these criteria. Deloitte & Touche LLP also reviews and tests the effectiveness of these systems to the extent they deem necessary to determine the extent of audit procedures needed in connection with their audit of the consolidated financial statements.

The Audit Committee of the Board of Directors, which is composed of Directors who are not officers or employees of the Company, provides oversight to the financial reporting process. The independent auditors have unrestricted access to the Audit Committee.



Ian J. McCarthy
President and Chief Executive Officer



David S. Weiss
Executive Vice President and Chief Financial Officer



Michael Rand
Senior Vice President, Corporate Controller

Operations Review/Management's Discussion and Analysis

Beazer Homes USA, Inc.

GENERAL

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

Southeast	West	Central	Mid-Atlantic	Midwest
Florida	Arizona	Texas	Maryland	Indiana
Georgia	California		New Jersey	Kentucky
Mississippi	Colorado		Pennsylvania	Ohio
North Carolina	Nevada		Virginia	
South Carolina				
Tennessee				

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 home-builders. 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" and include the home in "backlog." Such sales contracts are usually subject to certain contingencies such as the buyer's ability to qualify for financing. 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.

Crossmann Acquisition: On April 16, 2002, the stockholders of Beazer Homes USA, Inc. ("Beazer" or "the Company") and Crossmann Communities, Inc. ("Crossmann") approved the merger of Crossmann into a wholly owned subsidiary of Beazer, and the merger became effective on April 17, 2002. Crossmann builds single-family homes in Indiana—its home base—with operations in Kentucky, Mississippi, North Carolina, Ohio, South Carolina and Tennessee and was a leading regional builder in these markets prior to the merger. We have included Crossmann's operating results in our consolidated financial statements since April 1, 2002, less an imputed interest charge on the cash portion of the merger consideration for the period April 1, 2002 through April 16, 2002.

The aggregate merger consideration we paid consisted of approximately 3.9 million shares of Beazer common stock (approximately \$308.6 million) and \$191.6 million in cash. In connection with the merger, we also repaid approximately \$125.4 million of Crossmann debt. The cash portion of the merger

consideration and the repayment of Crossmann debt upon the merger were funded from proceeds from our issuance of \$350 million 8³/₈% Senior Notes due 2012 in a private placement on April 17, 2002.

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 Corporation ("BMC") and, subsequent to April 17, 2002, through Crossmann Mortgage Corp. ("CMC"). BMC and CMC originate, process and broker mortgages to third party investors. BMC and CMC generally do not retain or service the mortgages that they broker. We also provide title services to our homebuyers in many of our markets. We will continue to evaluate opportunities to provide other ancillary services to our homebuyers.

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

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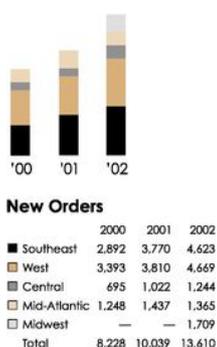
Impairment of Long Lived Assets: Housing projects and land held for development and sale are stated at the lower of cost (including direct construction costs, capitalized indirect costs, capitalized interest and real estate taxes) or net realizable value. Property and equipment is carried at cost less accumulated depreciation. We assess these assets for recoverability in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. These evaluations for impairment are significantly impacted by estimates of revenues, costs and expenses and other factors. If these assets are considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Goodwill: We adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," effective October 1, 2001. Upon the adoption of SFAS No. 142, goodwill is no longer subject to amortization. Goodwill is subject to at least an annual assessment for impairment by applying a fair value-based test. If the carrying amount exceeds the fair value, goodwill is impaired. We continually evaluate whether events and circumstances have occurred that indicate the remaining balance of goodwill may not be recoverable. In evaluating impairment, we estimate the sum of the expected future cash flows derived from such goodwill. Such evaluations for impairment are significantly impacted by estimates of future revenues, costs and expenses and other factors. If the goodwill is considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the goodwill exceeds the fair value of the expected future cash flows.

Homebuilding Revenues and Costs: Revenue from the sale of a home is recognized when the closing has occurred and the risk of ownership is transferred to the buyer. All associated homebuilding costs are charged to cost of sales in the period when the revenues from home closings are recognized. Homebuilding costs include land and land development costs (based upon an allocation of such costs, including costs to complete the development, or specific lot costs), home construction costs (including an estimate of costs, if any, to complete home construction), previously capitalized indirect costs (principally for construction supervision), capitalized interest and estimated warranty costs. Sales commissions are included in selling, general and administrative expense when the closing has occurred. All other costs are expensed as incurred.

Value Created: We evaluate our financial performance and the financial performance of our operations 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. It is calculated as earnings before interest and taxes (EBIT), less a charge for all of the capital employed multiplied by our estimate of our minimum weighted average cost of capital (currently 14%). Most of our employees receive incentive compensation based upon a combination of *Value Created* and the change in *Value Created* during the year. For key managers a portion of the incentive is put in a bank. This portion is always at risk and may be paid out over three years. 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.

NEW ORDERS BY FISCAL YEAR:



New orders increased in each of the last two fiscal years compared to the prior year. We believe that this increase in new orders was due to strong population growth fueling demand in the first-time buyer segment, our gains in market share, plus a favorable interest rate environment. New orders in the Southeast, West and Central regions were especially strong due to our commitment to the first-time buyer segment in these markets. Most of our new community openings in fiscal 2002 targeted this segment of the market. The fiscal 2002 increase also reflects the addition of our Midwest region through the April 2002 acquisition of Crossmann. The overall increase in new orders in 2001 is attributable to the growth of all our regions, especially the Southeast and Central regions.

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The following tables present certain operating and financial data for the years discussed:

Year ended September 30,

2002

2001

2000

	Amount	% Change	Amount	% Change	Amount
NUMBER OF NEW ORDERS, NET OF CANCELLATIONS(1):					
Southeast Region:					
Florida	1,265	16.7%	1,084	17.8%	920
Georgia	502	22.4	410	64.7	249
North and South Carolina	2,177	45.4	1,497	13.8	1,316
Tennessee/Mississippi	679	(12.8)	779	91.4	407
Total Southeast	4,623	22.6	3,770	30.4	2,892
West Region:					
Arizona	1,294	10.1	1,175	6.9	1,099
California	2,239	26.7	1,767	(4.8)	1,857
Colorado	235	32.8	177	n/a	—
Nevada	901	30.4	691	58.1	437
Total West	4,669	22.5	3,810	12.3	3,393
Central Region:					
Texas	1,244	21.7	1,022	47.1	695
Mid-Atlantic Region:					
Maryland	322	(16.4)	385	18.1	326
New Jersey/Pennsylvania	280	(15.2)	330	48.6	222
Virginia	763	5.7	722	3.1	700
Total Mid-Atlantic	1,365	(5.0)	1,437	15.1	1,248
Midwest Region:					
Indiana	1,211	n/a	—	—	—
Kentucky	114	n/a	—	—	—
Ohio	384	n/a	—	—	—
Total Midwest	1,709	n/a	—	—	—
Total	13,610	35.6%	10,039	22.0%	8,228

BACKLOG AT END OF YEAR:					
Southeast Region:					
Florida	670	24.8%	537	37.0%	392
Georgia	149	24.2	120	3.4	116
North and South Carolina	823	167.2	308	18.5	260
Tennessee/Mississippi	225	(18.2)	275	157.0	107
Total Southeast	1,867	50.6	1,240	41.7	875
West Region:					
Arizona	615	15.6	532	39.6	381
California	733	32.5	553	(5.6)	586
Colorado	54	(72.3)	195	n/a	—
Nevada	431	32.2	326	79.1	182
Total West	1,833	14.1	1,606	39.8	1,149
Central Region:					
Texas	507	32.0	384	48.3	259
Mid-Atlantic Region:					
Maryland	149	(14.9)	175	36.7	128
New Jersey/Pennsylvania	139	2.2	136	23.6	110
Virginia	412	(5.5)	436	6.9	408
Total Mid-Atlantic	700	(6.3)	747	15.6	646
Midwest Region:					
Indiana	1,079	n/a	—	—	—
Kentucky	77	n/a	—	—	—
Ohio	456	n/a	—	—	—

Total Midwest	1,612	n/a	—	—	—
Total	6,519	63.9%	3,977	35.8%	2,929

(1) New orders for 2002 and 2001 do not include 2,535 and 68 homes in backlog, respectively, from acquired operations.

(n/a) Percentage change is not applicable. We entered Indiana, Kentucky, Mississippi and Ohio in April 2002 when we acquired Crossmann Communities. We entered Colorado in August 2001 when we acquired Sanford Homes.

Year ended September 30,	2002		2001		2000
	Amount	% Change	Amount	% Change	Amount
NUMBER OF CLOSINGS:					
Southeast Region:					
Florida	1,132	19.4%	948	3.4%	917
Georgia	473	16.5	406	110.4	193
North and South Carolina	2,103	45.1	1,449	(2.5)	1,486
Tennessee/Mississippi	867	41.9	611	45.5	420
Total Southeast	4,575	34.0	3,414	13.2	3,016
West Region:					
Arizona	1,211	18.3	1,024	(13.2)	1,180
California	2,059	14.4	1,800	22.0	1,475
Colorado	376	817.1	41	n/a	—
Nevada	796	45.5	547	45.9	375
Total West	4,442	30.2	3,412	12.6	3,030
Central Region:					
Texas	1,121	25.0	897	39.7	642
Mid-Atlantic Region:					
Maryland	348	3.0	338	(4.0)	352
New Jersey/Pennsylvania	277	(8.9)	304	38.2	220
Virginia	787	13.4	694	16.2	597
Total Mid-Atlantic	1,412	5.7	1,336	14.3	1,169
Midwest Region:					
Indiana	1,448	n/a	—	—	—
Kentucky	103	n/a	—	—	—
Ohio	502	n/a	—	—	—
Total Midwest	2,053	n/a	—	—	—
Total	13,603	50.2%	9,059	15.3%	7,857

HOMEBUILDING REVENUES (IN THOUSANDS):

Southeast Region	\$ 759,646	25.4%	\$ 605,860	17.0%	\$ 517,879
West Region	994,120	41.4	703,196	17.6	597,990
Central Region	174,816	22.0	143,288	25.6	114,119
Mid-Atlantic Region	380,296	20.1	316,725	18.1	268,208
Midwest Region	286,032	n/a	—	—	—
Total	\$ 2,594,910	46.7%	\$ 1,769,069	18.1%	\$ 1,498,196

AVERAGE SALES PRICE PER HOME CLOSED (IN THOUSANDS):

Southeast Region	\$ 166.0	(6.5)%	\$ 177.5	3.4%	\$ 171.7
West Region	223.8	8.6	206.1	4.4	197.4
Central Region	155.9	(2.4)	159.7	(10.2)	177.8
Mid-Atlantic Region	269.3	13.6	237.1	3.4	229.4
Midwest Region	139.3	n/a	—	—	—
Company Average	190.8	(2.3)	195.3	2.4	190.7

NUMBER OF ACTIVE SUBDIVISIONS AT YEAR END:

Southeast Region	188	51.6%	124	5.1%	118
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West Region	73	(15.1)	86	26.5	68
Central Region	34	9.7	31	10.7	28
Mid-Atlantic Region	35	(12.5)	40	(2.4)	41
Midwest Region	138	n/a	—	—	—
Total	468	66.5%	281	10.2%	255

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The fundamentals that drive sales activity are numerous and varied. On a macro level, low unemployment and low mortgage interest rates each contribute to a positive general homebuilding market environment. Our ability to stay ahead of changing customer preferences and local demographic trends with our product mix and to maintain adequate product supply (as measured by the number of active subdivisions) contributes locally to new order trends.

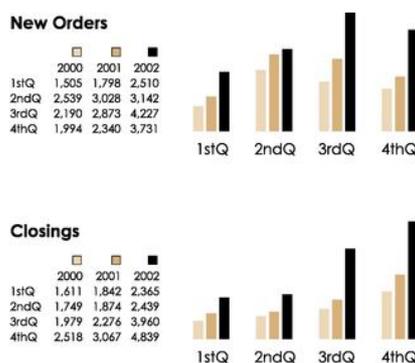
Backlog: The increases in unit backlog in each of the past two fiscal years reflect the favorable homebuilding environment driving new order activity and our ability to gain market share. The average sales price of homes in backlog increased at September 30, 2002 to \$198,400 from \$195,000 at September 30, 2001. The average price of homes in backlog at September 30, 2002 for Crossmann is \$141,000 and excluding Crossmann, the average price of homes in backlog is \$226,800. The increase in the overall average price in backlog is due to our ability to raise prices in most markets, especially in our West and Mid-Atlantic regions and an increased percentage of homes in backlog from the higher priced regions of the West and Mid-Atlantic. The average sales price of homes in backlog at September 30, 2001 decreased as compared to September 30, 2000, due to our increased expansion in the first-time buyer segment, where sales prices are generally lower.



SEASONALITY AND QUARTERLY VARIABILITY

Beazer's homebuilding operating cycle generally reflects escalating new order activity in our second and third fiscal quarters and increased closings in our third and fourth fiscal quarters. Fiscal 2002 results include new orders and closings for Crossmann from April 1, 2002, resulting in an increase in new orders and in closings for the third and fourth fiscal quarters. We believe that the typical seasonality reflects the preference of homebuyers to shop for a new home in the spring, as well as the scheduling of construction to accommodate seasonal weather conditions.

The following chart presents certain quarterly operating data for our last twelve fiscal quarters and is indicative of this seasonality.



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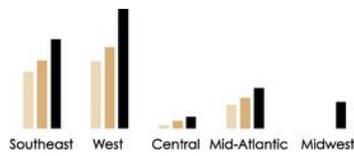
FINANCIAL RESULTS

The following table provides additional details of revenues and certain expenses included in our consolidated statements of operations (in thousands).

Year Ended September 30,	2002	2001	2000
Revenues:			
Homebuilding	\$ 2,594,910	\$ 1,769,069	\$ 1,498,196
Land and lot sales	18,051	18,017	19,017
Mortgage origination	41,006	26,572	17,671
Intercompany elimination—mortgage	(12,794)	(8,481)	(7,019)
Total revenue	\$ 2,641,173	\$ 1,805,177	\$ 1,527,865
Cost of home construction and land sales:			
Homebuilding	\$ 2,109,756	\$ 1,438,101	\$ 1,248,099

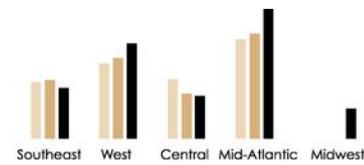
Land and lot sales	15,452	14,595	14,838
Intercompany elimination—mortgage	(12,794)	(8,481)	(7,019)
Total cost of home construction and land sales	\$ 2,112,414	\$ 1,444,215	\$ 1,255,918
Selling, general and administrative:			
Homebuilding operations	\$ 269,655	\$ 190,551	\$ 157,794
Mortgage origination operations	22,929	14,947	10,826
Total selling, general and administrative	\$ 292,584	\$ 205,498	\$ 168,620

REVENUES



Total Homebuilding Revenues by Region
(in Millions)

	Southeast	West	Central	Mid-Atlantic	Midwest
2000	\$517.9	\$598.0	\$114.1	\$268.2	\$ —
2001	\$605.9	\$703.2	\$143.3	\$316.7	\$ —
2002	\$759.6	\$994.1	\$174.8	\$380.3	\$286.0



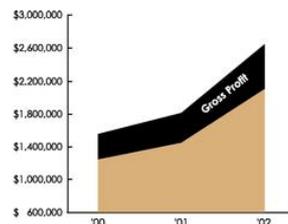
Average Sales Price by Region
(in Thousands)

	Southeast	West	Central	Mid-Atlantic	Midwest
2000	\$171.7	\$197.4	\$177.8	\$229.4	\$ —
2001	\$177.5	\$206.1	\$159.7	\$237.1	\$ —
2002	\$166.0	\$223.8	\$155.9	\$269.3	\$139.3

The increase in homebuilding revenues for fiscal 2002 compared to fiscal 2001 is the result of the addition of the Midwest region as a result of our April 2002 acquisition of Crossmann, an increase in the number of homes closed, and increased average sales prices in most of our markets.

In fiscal 2001, we experienced revenue increases in all of our regions due to an increase in the number of home closings. The decrease in the average sales price of homes closed in the Central Region is a result of our increased focus on the first-time buyer segment in Texas.

COST OF HOME CONSTRUCTION AND LAND SALES



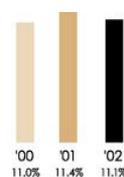
Cost of Home Construction and Land Sales
(in Thousands)

	2000	2001	2002
Revenues	\$1,527,865	\$1,805,177	\$2,641,173
Cost of home construction and land sales	\$1,255,918	\$1,444,215	\$2,112,414
Gross Margin	17.8%	20.0%	20.0%

The gross margin in fiscal 2002 includes approximately \$16.3 million of costs related to purchase accounting adjustments for the Crossmann acquisition. Excluding such costs, gross margin for fiscal 2002 was 20.6%. The increase in gross margins, before purchase accounting, in each of the last two fiscal years is the result of a strong housing market, where we have been able to increase sales prices in most of our markets while overall costs remained stable. Our margin improvement also reflects our increased efficiency and the improved purchasing power that we have with our new size. Mortgage origination operations also contribute to gross margin improvements by directing payment of certain mortgage closing costs and discounts to BMC and CMC rather than a third party lender.

We executed several land sales during the past three fiscal years. We realized gross profits of \$2.6 million, \$3.4 million and \$4.2 million on these land sales in fiscal 2002, 2001 and 2000, respectively.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE



Selling, General and Administrative Expense as a Percentage of Total Revenue

During fiscal 2002, SG&A decreased as a percentage of revenue due to increased efficiency across an expanded base of operations.

During fiscal 2001, SG&A increased as a percentage of revenue due to higher management bonuses, the determination of which is related to the increase in profits rather than the increase in revenue, and increased insurance costs.

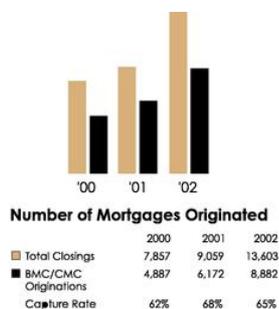
OTHER INCOME

Fiscal 2002 other income increased by \$7.2 million compared to fiscal 2001 as a result of a \$3.3 million gain on the sale of a portion of our equity interest in Homebuilders Financial Network, Inc., the entity providing management services to BMC, as well as increased joint venture income and increased income from our title operations.

Fiscal 2000 other income (expense) included \$6.1 million in losses from and a write-down of our investment in Premier Communities, a joint venture providing affordable housing, which has been wound down.

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MORTGAGE ORIGINATION OPERATIONS



During fiscal 2002, our capture rate (BMC and CMC originations as a percentage of total home closings) decreased due to the inclusion of CMC, whose capture rate for the period subsequent to April 1, 2002 was 64%.

Our capture rate is based on total closings. Our capture rate for BMC excluding non-financed closings was approximately 73%.

INCOME TAXES

Income taxes for fiscal 2002 were provided at the effective rate of 39.3% (39.0% for the period prior to the Crossmann acquisition and 39.5% post acquisition). Income taxes for fiscal 2001 and 2000 were provided at the effective rate of 39.0% in each year. The principal difference between our effective rate and the U.S. Federal statutory rate is state income taxes.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective October 1, 2000, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Upon adoption of this statement, we held no derivative instruments and accordingly recorded no transition adjustment. SFAS No. 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.

We are exposed to fluctuations in interest rates. We enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. We do not enter into or hold derivatives for trading or speculative purposes. During the year ended September 30, 2001 we entered into interest rate swap agreements (the "Swap Agreements") to effectively fix the variable interest rate on our \$100 million four-year Term Loan. The Swap Agreements mature in December 2004 on the same day as our Term Loan matures.

The Swap Agreements have been designated as cash flow hedges and, accordingly, are recorded at fair value in our consolidated balance sheet and the related gains or losses are deferred in stockholders' equity, net of taxes, as a component of other comprehensive income. Amounts to be received or paid as a result of the Swap Agreements are accrued and recognized as adjustments to interest related to the designated debt. The net effect of this accounting on our operating results is that interest on the variable-rate debt is generally recorded based on fixed interest rates. No portion of these hedges was considered ineffective for the year ended September 30, 2002. We expect to reclassify \$2.1 million, net of taxes of \$1.3 million, from other comprehensive loss to interest expense over the next twelve months.

As a result of the Swap Agreements, we have recorded a cumulative after-tax other comprehensive loss of \$4.8 million as of September 30, 2002. The estimated fair value of the Swap Agreements, based on current market rates, approximated a liability of \$7.9 million at September 30, 2002 and is included in other liabilities.

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FINANCIAL CONDITION AND LIQUIDITY

In April 2002, we acquired Crossmann for approximately \$500.2 million, of which we issued 3.9 million shares of Beazer common stock (approximately \$308.6 million) and \$191.6 million was paid in cash. In connection with the merger, we also repaid approximately \$125.4 million of Crossmann debt resulting in total consideration paid of \$625.6 million. The acquisition has been accounted for as a purchase and, accordingly, the purchase price has been tentatively allocated to reflect the fair value of assets and liabilities acquired. The cash portion of the acquisition and repayment of Crossmann debt was funded with the proceeds from a senior note offering.

In August 2001, we acquired the assets of the home-building operations of Sanford Homes of Colorado for approximately \$68 million, of which \$59 million was paid in cash and approximately \$9 million for the assumption of accounts payable and accrued expenses. The acquisition has been accounted for as a purchase and, accordingly, the purchase price has been allocated to reflect the fair value of assets and liabilities acquired. The acquisition was funded through cash generated from operations and a portion of the proceeds from a senior note offering.

At September 30, 2002, we had the following long-term debt (in thousands):

Debt	Due	Amount
8 ³ / ₈ % Senior Notes	April 2012	\$ 350,000
8 ⁵ / ₈ % Senior Notes	May 2011	200,000
8 ⁷ / ₈ % Senior Notes	April 2008	100,000
Term Loan	December 2004	100,000
Unamortized discount		(10,900)
Total		\$ 739,100

During fiscal 2001, we renewed and extended our \$250 million revolving credit facility. The facility provides for up to \$250 million of unsecured borrowings and bears interest at a fluctuating rate based upon the corporate base rate of interest announced by our lead bank, the federal funds rate, or LIBOR. All outstanding borrowings under the facility will be due in September 2004. The credit facility contains various operating and financial covenants. At September 30, 2002, we had no outstanding borrowings under the revolving credit facility. We fulfill our short-term cash requirements with cash generated from our operations and funds available from our unsecured revolving credit facility. Available borrowings under this credit facility are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable. At September 30, 2002, we had available borrowings of \$177 million under the credit facility.

During fiscal 2001, we entered into a \$100 million four-year term loan with a group of banks (the "Term Loan"). The Term Loan matures in December 2004 and bears interest (3.44% at September 30, 2002) based upon the corporate base rate of interest announced by our lead bank, the federal funds rate or LIBOR. The Term Loan contains various operating and financial covenants. All proceeds from the Term Loan were used to pay down then outstanding borrowings under our \$250 million revolving credit facility.

During fiscal 2001, we entered into Swap Agreements to manage interest costs and hedge against risks associated with fluctuating interest rates related to the Term Loan. These swaps effectively fix the interest rate (before spread) on the \$100 million Term Loan as follows: \$75 million is fixed at 5.925% per annum; \$10 million is fixed at 5.17% per annum; \$5 million is fixed at 5.50% per annum; and \$10 million is fixed at 5.055% per annum. The Swap Agreements expire in December 2004, when the Term Loan matures.

In April 2002, we issued \$350 million 8³/₈% Senior Notes due April 2012 (the "Original Notes") in a private placement pursuant to Rule 144A and Regulation S promulgated under the Securities Act of 1933, as amended. In September 2002, we completed an offer to exchange all of the outstanding Original Notes for an equal amount of 8³/₈% Senior Notes due 2012 (the "8³/₈% Senior Notes"), which

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were registered under the Securities Act of 1933. The terms of the 8³/₈% Senior Notes were substantially identical to the terms of the Original Notes. The Original Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). Interest on the 8³/₈% Senior Notes is payable semiannually. We may, at our option, redeem the 8³/₈% Senior Notes in whole or in part at any time after April 2007, initially at 104.188% of the principal amount, declining to 100% of the principal amount after April 2010. A portion of such notes may also be redeemed prior to April 2005 under certain conditions. We used the proceeds from the issuance of the 8³/₈% Senior Notes to fund the cash portion of the Crossmann acquisition, to repay Crossmann's outstanding net indebtedness, to reduce borrowings under our revolving credit facility at the time, and to pay related fees, commissions and other expenses.

In May 2001, we issued \$200 million 8⁵/₈% Senior Notes due May 2011 (the "8⁵/₈% Senior Notes") at a price of 99.178% of their face amount (before underwriting discount and other issuance costs). Interest on the 8⁵/₈% Senior Notes is payable semiannually. We may, at our option, redeem the 8⁵/₈% Senior Notes in whole or in part at any time after May 2006, initially at 104.3125% of the principal amount, and declining to 100% of the principal amount after May 2009. A portion of such notes may also be redeemed prior to May 2004 under certain conditions. We used a portion of the proceeds from the issuance of the 8⁵/₈% Senior Notes to redeem \$115 million of our 9% Senior Notes which were due in March 2004. As a result of this redemption of the 9% Senior Notes, we recorded a pre-tax extraordinary charge during fiscal 2001 of \$1.2 million for the writeoff of associated unamortized debt issuance costs.

We have also previously issued \$100 million of 8⁷/₈% Senior Notes due in April 2008 (the "8⁷/₈% Senior Notes"). Interest on the 8⁷/₈% Senior Notes is payable semiannually. We may, at our option, redeem the 8⁷/₈% Senior Notes in whole or in part at any time after March 2003, initially at 104.438% of the principal amount and declining to 100% of the principal after March 2006.

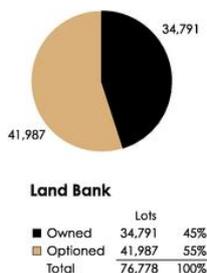
All significant subsidiaries of Beazer are full and unconditional guarantors of the Senior Notes and our obligations under the credit facility and Term Loan, and are jointly and severally liable for our obligations under the Senior Notes, credit facility and Term Loan. Each significant subsidiary is a wholly owned subsidiary of Beazer and Beazer has no independent assets or operations. Any subsidiaries of Beazer that are not guarantors are minor subsidiaries. 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 amounts for Beazer on a consolidated basis and separate subsidiary financial statements are not considered material. The total assets, revenues and operating profit of the non-guarantor subsidiaries are in the aggregate immaterial to Beazer on a consolidated basis. Neither the credit facility, Term Loan nor the Senior Notes restrict distributions to Beazer by its subsidiaries. At September 30, 2002, we were in compliance with all covenants related to the credit facility, Term Loan and Senior Notes. At September 30, 2002, under the most restrictive covenants of each indenture, approximately \$147.2 million of our retained earnings were available for cash dividends and for share repurchases.

Certain officers and employees transferred to us 31,072 and 6,977 shares of our common stock, during fiscal 2002 and 2001, respectively, valued at prevailing market prices. The transfers were accounted for as a stock repurchase by the Company. The common stock was transferred to us to satisfy such officers' and employees' tax obligations under certain stock incentive plans. During fiscal 2000, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to 500,000 shares of our outstanding common stock. Using borrowings under our credit facility, we completed during fiscal 2000 the repurchase of 500,000 shares on the open market for an aggregate purchase price of \$9.2 million.

We attempt to maintain approximately a four-year supply of land, with half or more controlled through options. At September 30, 2002, we controlled 76,778 lots (a 4.6-year supply based on pro-forma fiscal 2002 closings), with 34,791 lots owned and 41,987 lots under option. The increased land supply reflects the higher

level of Crossmann's land base, which was over a six-year supply. At September 30, 2002, we had commitments with respect to option contracts with specific performance obligations of approximately \$15.1 million, which is included on our consolidated balance sheet in other liabilities at

September 30, 2002. We expect to exercise all of our option contracts with specific performance obligations and, subject to market conditions, substantially all of our option contracts without specific performance obligations. As a result of the flexibility that these options provide us, upon a change in market conditions we may renegotiate the terms of the options prior to their ultimate exercise.



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, we may, from time to time over an extended period, offer new debt or equity securities. This shelf registration allows us to expediently access capital markets periodically. Our \$200 million 8⁵/₈% Senior Notes were sold pursuant to this registration statement. The timing and amount of future offerings, if any, will depend on market and general business conditions.

We believe that our current borrowing capacity at September 30, 2002 and anticipated cash flows from operations are sufficient to meet our liquidity needs for the foreseeable future.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001 the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and broadens the criteria for recording intangible assets separate from goodwill. SFAS No. 141 also prohibits the use of the pooling-of-interest method for all business combinations initiated after June 30, 2001.

SFAS No. 142 requires the use of an impairment approach to account for purchased goodwill and certain intangibles. Under an impairment approach, goodwill and certain intangibles are not amortized into results of operations, but instead are reviewed for impairment at least annually and written down and charged to results of operations only in periods in which the recorded value of goodwill and certain intangibles is more than its fair value.

SFAS No. 142 was generally effective for fiscal years beginning after December 15, 2001; however we early adopted this statement on October 1, 2001, the first day of our 2002 fiscal year, as permitted by the statement. The adoption of SFAS No. 142 resulted in the discontinuation of amortization of goodwill previously recorded of \$0.8 million annually. No impairment charges were recognized from the adoption of this statement.

Net income for the years ended September 30, 2001 and 2000 would have been \$75.5 million and \$44.2 million, respectively, after adding back goodwill amortization expensed during each such year.

SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets," issued in August 2001 addresses accounting for and reporting of the impairment or disposal of long-lived assets. We adopted SFAS No. 144 on October 1, 2002, the beginning of fiscal 2003. We expect that the adoption of SFAS No. 144 will not have a significant impact on our financial position or results of operations. However, SFAS No. 144 may modify the presentation of the operating results from abandoned or disposed markets in our statement of operations in the future.

In April 2002, SFAS No. 145 "Rescission of SFAS No. 4, 44, 64 and Amendment of SFAS No. 13 and Technical Corrections" was issued. SFAS No. 145 prevents treatment as extraordinary, gains or losses on extinguishment of debt not meeting the criteria of Accounting Principles Board Opinion No. 30. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The adoption of SFAS No. 145

will affect the classification of such amounts in the financial statements of subsequent periods and comparative prior periods. We have not elected to early adopt the provisions of SFAS No. 145 for this reporting period.

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

MARKET RISKS FOR FINANCIAL INSTRUMENTS

We are exposed to a number of market risks in the ordinary course of business. Our primary market risk exposure relates to fluctuations in interest rates. We do not believe that our exposure in this area is material to cash flows or earnings. During fiscal 2001 we entered into interest rate swap agreements with an aggregate notional amount of \$100 million to manage our exposure to fluctuations in interest rates on our \$100 million variable rate Term Loan maturing in December 2004. These swaps effectively fix the rate on this debt at 5.74%. We do not enter into or hold derivatives for trading or speculative purposes.

We have formally designated these agreements as cash flow hedges as discussed in Note 3 of the consolidated financial statements. The estimated fair value of the Swap Agreements, based on current market rates, approximated a liability of \$7.9 million at September 30, 2002 and is included in other liabilities.

The estimated fair value of our fixed rate debt at September 30, 2002 was \$652 million, compared to a carrying value of \$639 million. In addition, the effect of a hypothetical one percentage point decrease in interest rates would increase the estimated fair value of the fixed rate debt instruments from \$652 million to \$693 million at September 30, 2002.

OUTLOOK

We are optimistic about our prospects for fiscal 2003 and confident about our long-term prospects. As a result of increased backlog at September 30, 2002, we expect home closings to increase in fiscal 2003. Based upon these factors we currently target achieving earnings of \$12.25 per share for fiscal 2003. Over the long-term, we believe that projected population growth and household formation will drive demand for housing, especially in the growth states in which we operate. We continue to refine and improve the construction process with technology, invest in our people through education and explore new ways to expand our revenue base and reduce our costs using the Internet. All the while, we are maintaining financial discipline through the framework of our *Value Created* incentive plan.

Forward-Looking Statements

Beazer Homes USA, Inc.

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain of the statements contained in this report, including those under "Outlook" and "Financial Condition and Liquidity," constitute "forward-looking statements" within the meaning of the federal securities laws. These statements include short-term and long-term targets for home closings and earnings per share. While we believe that these statements are accurate, our business is dependent upon general economic conditions and is subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such 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 of our local markets,
- Volatility of mortgage interest rates and inflation,
- Increased competition,
- 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,

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- Increased land development costs on projects under development,
 - Availability and cost of general liability and other insurance to manage risks,
 - Any delays in reacting to changing consumer preference in home design,
 - Terrorist acts and other acts of war,
 - Changes in consumer confidence,
 - Ability to effectively integrate acquired companies, including Crossmann,
 - Delays or difficulties in implementing our initiatives to reduce our 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,
 - Changes in accounting policies, standards, guidelines or principles, as may be adopted by regulatory agencies as well as the Financial Accounting Standards Board,
 - Other factors over which we have little or no control.

Consolidated Statements of Income

Beazer Homes USA, Inc.

(dollars in thousands, except per share amounts)

Year ended September 30,	2002	2001	2000
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Total revenue	\$	2,641,173	\$	1,805,177	\$	1,527,865
Costs and expenses:						
Home construction and land sales		2,112,414		1,444,215		1,255,918
Amortization of previously capitalized interest		43,001		33,235		27,704
Selling, general and administrative		292,584		205,498		168,620
Operating income		193,174		122,229		75,623
Other income/(expense), net		8,885		1,721		(4,138)
Income before income taxes and extraordinary item		202,059		123,950		71,485
Provision for income taxes		79,425		48,341		27,879
Net income before extraordinary item		122,634		75,609		43,606
Extraordinary item—loss on early extinguishment of debt (net of taxes of \$469)		—		(733)		—
Net income	\$	122,634	\$	74,876	\$	43,606
Weighted average number of shares (in thousands):						
Basic		10,535		8,145		8,254
Diluted		11,415		9,156		8,630
Basic earnings per share:						
Net income before extraordinary item	\$	11.64	\$	9.28	\$	5.28
Extraordinary item		—		(0.09)		—
Net earnings	\$	11.64	\$	9.19	\$	5.28
Diluted earnings per share:						
Net income before extraordinary item	\$	10.74	\$	8.26	\$	5.05
Extraordinary item		—		(0.08)		—
Net earnings	\$	10.74	\$	8.18	\$	5.05

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Beazer Homes USA, Inc.

(dollars in thousands, except per share amounts)

September 30,	2002	2001
ASSETS:		
Cash and cash equivalents	\$ 124,989	\$ 41,678
Accounts receivable	54,329	38,921
Inventory	1,364,133	844,737
Deferred tax asset	27,099	19,640
Property, plant and equipment, net	19,096	12,586
Goodwill	251,603	14,094
Other assets	51,598	23,633
Total Assets	\$ 1,892,847	\$ 995,289
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Trade accounts payable	\$ 108,554	\$ 70,893
Other liabilities	245,678	177,963
Revolving credit facility	—	—
Term Loan	100,000	100,000
Senior Notes (net of discount of \$10,900 and \$4,762, respectively)	639,100	295,238
Total Liabilities	1,093,332	644,094
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, 16,725,673 and 12,422,935 issued, 12,895,597 and 8,623,931 outstanding)	167	124
Paid-in capital	535,460	202,121
Retained earnings	338,604	215,970
Treasury stock, at cost (3,830,076 and 3,799,004 shares)	(63,679)	(61,510)
Unearned restricted stock	(6,260)	(2,027)
Accumulated other comprehensive loss	(4,777)	(3,483)
Total Stockholders' Equity	799,515	351,195
Total Liabilities and Stockholders' Equity	\$ 1,892,847	\$ 995,289

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Stockholders' Equity

Beazer Homes USA, Inc.

(dollars in thousands)	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Unearned Restricted Stock	Accumulated Other Comprehensive Loss	Total
Balance, September 30, 1999	\$ —	\$ 123	\$ 194,528	\$ 97,488	\$ (51,983)	\$ (5,494)	\$ —	\$ 234,662
Net income				43,606				43,606
Amortization of unearned restricted stock			240			1,140		1,380
Issuance of Bonus Stock			111					111
Purchase of treasury stock (500,000 shares)					(9,221)			(9,221)
Other			255			(255)		—
Balance, September 30, 2000	—	123	195,134	141,094	(61,204)	(4,609)	—	270,538
Comprehensive income:								
Net income				74,876				74,876
Unrealized loss on interest rate swaps, net of tax of \$2,228							(3,483)	(3,483)
Total comprehensive income								71,393
Amortization of unearned restricted stock						2,926		2,926
Exercises of stock options		1	2,286					2,287
Issuance of Bonus Stock			431			89		520
Tax benefit from stock transactions			3,837					3,837
Purchase of treasury stock (6,977 shares)					(306)			(306)
Other			433			(433)		—
Balance, September 30, 2001	—	124	202,121	215,970	(61,510)	(2,027)	(3,483)	351,195
Comprehensive income:								
Net income				122,634				122,634
Unrealized loss on interest rate swaps, net of tax of \$845							(1,294)	(1,294)
Total comprehensive income								121,340
Amortization of unearned restricted stock						2,365		2,365
Exercises of stock options		3	5,159					5,162
Issuance of Bonus Stock		1	813					814
Tax benefit from stock transactions			12,235					12,235
Issuance of restricted stock (79,337 shares)			6,281			(6,281)		—
Stock issued for Crossmann acquisition (3,857,166 shares)		39	308,534					308,573
Purchase of treasury stock (31,072 shares)					(2,169)			(2,169)
Other			317			(317)		—
Balance, September 30, 2002	\$ —	\$ 167	\$ 535,460	\$ 338,604	\$ (63,679)	\$ (6,260)	\$ (4,777)	\$ 799,515

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows

Beazer Homes USA, Inc.

(dollars in thousands)

Year ended September 30, 2002 2001 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	122,634	\$	74,876	\$	43,606
Adjustments to reconcile net income to net cash provided/(used) by operating activities:						
Depreciation and amortization		9,453		9,253		6,852
Loss on early extinguishment of debt		—		1,202		—
Deferred income tax benefit		(6,613)		(7,906)		(3,792)
Tax benefit from stock transactions		12,235		3,837		—
Changes in operating assets and liabilities, net of effects from acquisitions:						
Increase in accounts receivable		(13,601)		(15,814)		(1,671)
Increase in inventory		(152,990)		(153,668)		(97,104)
Increase/(decrease) in other assets		15,611		(1,023)		4,589
Increase/(decrease) in trade accounts payable		23,481		(26,676)		28,571
Increase in other liabilities		48,300		65,397		11,083
Change in book overdraft		—		20,095		(11,219)
Other changes		954		4,849		359
Net cash provided/(used) by operating activities		59,464		(25,578)		(18,726)

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures		(8,213)		(5,906)		(3,775)
Proceeds from sale of fixed assets		4,800		—		—
Investment in unconsolidated joint ventures		(3,146)		(4,517)		(8,030)
Distributions from and proceeds from sale of unconsolidated joint ventures		12,736		—		—
Acquisitions, net of cash acquired		(320,810)		(62,412)		—
Net cash used by investing activities		(314,633)		(72,835)		(11,805)

CASH FLOWS FROM FINANCING ACTIVITIES:

Change in revolving credit facility		—		(40,000)		40,000
Proceeds from Term Loan		—		100,000		—
Proceeds from issuance of 8 ³ /8% Senior Notes		343,000		—		—
Proceeds from issuance of 8 ⁵ /8% Senior Notes		—		198,356		—
Redemption of 9% Senior Notes		—		(115,000)		—
Debt issuance costs		(7,513)		(5,246)		(248)
Proceeds from stock option exercises		5,162		2,287		—
Common share repurchases		(2,169)		(306)		(9,221)
Net cash provided by financing activities		338,480		140,091		30,531
Increase in cash and cash equivalents		83,311		41,678		—
Cash and cash equivalents at beginning of year		41,678		—		—
Cash and cash equivalents at end of year	\$	124,989	\$	41,678	\$	—

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid	\$	37,178	\$	28,241	\$	29,244
Income taxes paid	\$	81,534	\$	38,288	\$	31,533

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:

Issuance of common stock related to acquisition	\$	308,573	\$	—	\$	—
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See Notes to Consolidated Financial Statements.

Notes To Consolidated Financial Statements**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

ORGANIZATION—Beazer Homes USA, Inc. is one of the ten largest single-family homebuilders in the United States based on number of homes closed. We design, sell and build single-family homes in over 35 markets located in Arizona, California, Colorado, Florida, Georgia, Indiana, Kentucky, Maryland, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas and Virginia. We also provide mortgage origination services for our homebuyers through Beazer Mortgage Corporation ("BMC") and Crossmann Mortgage Corp. ("CMC"). In addition, we provide title services to our homebuyers in many of our markets.

PRESENTATION—Our homebuilding operations conducted across several geographic regions of the United States have similar characteristics; therefore, they have been aggregated into one reportable segment—the homebuilding segment.

The accompanying consolidated financial statements include the accounts of Beazer Homes USA, Inc., and our wholly owned subsidiaries. Intercompany balances have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS—We consider investments with maturities of three months or less when purchased to be cash equivalents.

INVENTORY—Inventory consists solely of residential real estate developments. Interest, real estate taxes and development costs are capitalized in inventory during the development and construction period. Sold units are expensed on a specific identification basis, or on a relative sales value basis as cost of sales.

PROPERTY, PLANT AND EQUIPMENT—Property, plant and equipment are recorded at cost. Depreciation is computed on a straight line basis at rates based on estimated useful lives as follows:

Buildings	15 years
Machinery and equipment	3—12 years
Information systems	3—5 years
Furniture and fixtures	3—5 years

IMPAIRMENT OF LONG LIVED ASSETS—Housing projects and unimproved land held for future development (components of inventory) and property, plant and equipment are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

GOODWILL—Goodwill represents the excess of the purchase price over the fair value of assets acquired. We adopted Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets" effective October 1, 2001, which resulted in the discontinuation of amortization of goodwill. Goodwill arising from our April 2002 and August 2001 acquisitions (Note 2) is not being amortized. Amortization expense of goodwill was \$801,000 for each of the two years ended September 30, 2001 and 2000. Associated accumulated amortization was \$5,588,000 at September 30, 2001. Goodwill is subject to at least an annual assessment for impairment by applying a fair value-based test. If the carrying amount exceeds the fair value, goodwill is impaired. We continually evaluate whether events and circumstances have occurred that indicate the remaining balance of goodwill may not be recoverable. In evaluating impairment, we estimate the sum of the expected future cash flows derived from such goodwill. Such evaluations for impairment are significantly impacted by estimates of future revenues, costs and expenses and other factors. If the goodwill is considered to be impaired, the

impairment loss to be recognized is measured by the amount by which the carrying amount of the goodwill exceeds the fair value of the expected future cash flows. We had no impairment of goodwill in fiscal 2002. Identifiable intangible assets, other than goodwill, are immaterial.

OTHER ASSETS—Other assets include prepaid expenses, debt issuance costs and investments in unconsolidated entities, including our interests in real estate development joint ventures.

INCOME TAXES—Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

OTHER LIABILITIES—Other liabilities include homebuyer deposits, land purchase obligations, accrued compensation, accrued warranty costs and various other accrued expenses.

INCOME RECOGNITION AND CLASSIFICATION OF COSTS—Income from the sale of residential units or land parcels is recognized when closings have occurred and the risk of ownership is transferred to the buyer. Sales commissions are included in selling, general and administrative expense.

Fees paid to BMC and CMC from third-party lenders are recognized as revenue concurrent with the closing on the sale of the residential unit. All expenses of operating BMC and CMC are included in selling, general and administrative expense in the period incurred.

Estimated future warranty costs are charged to cost of sales in the period when the revenues from home closings are recognized. Such estimated warranty costs generally range from 0.5% to 1.0% of total revenue and, based upon experience, have been sufficient to cover costs incurred.

Advertising costs of \$28,237,000, \$19,793,000 and \$16,545,000 for fiscal years 2002, 2001 and 2000, respectively, are expensed as incurred.

EARNINGS PER SHARE—The computation of basic earnings per common share is determined by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share additionally gives effect (when dilutive) to stock options and other stock-based awards.

FAIR VALUE OF FINANCIAL INSTRUMENTS—The historical carrying amount of cash and cash equivalents and our Term Loan are reasonable estimates of their fair value. The fair value of our publicly held Senior Notes (Note 9) is estimated based on the quoted bid prices for these debt instruments and was approximately \$652 million at September 30, 2002. The fair values of our interest rate swaps, based on current rates, approximated a liability of \$7.9 million at September 30, 2002, and is included in other liabilities.

STOCK-BASED COMPENSATION—As described in Note 14, we have elected to follow the intrinsic value method to account for compensation expense related to the award of stock options and to furnish the pro forma disclosures required under SFAS No. 123, "Accounting for Stock-Based Compensation." Since our stock option awards are granted at prices no less than the fair-market value of the shares at the date of grant, no compensation expense is recognized for these awards. Compensation expense related to restricted stock awards is determined at the date of grant, recorded as unearned compensation expense and amortized over the vesting period of the awarded shares. The unearned compensation expense related to such awards is reflected as a reduction of stockholders' equity.

USE OF ESTIMATES—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities

at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS—Certain items in prior-period financial statements have been reclassified to conform to the current presentation.

RECENT ACCOUNTING PRONOUNCEMENTS—In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and broadens the criteria for recording intangible assets separate from goodwill. SFAS No. 141 also prohibits the use of the pooling-of-interest method for all business combinations initiated after June 30, 2001.

SFAS No. 142 requires the use of an impairment approach to account for purchased goodwill and certain intangibles. Under an impairment approach, goodwill and certain intangibles are not amortized into results of operations, but instead are reviewed for impairment at least annually and written down and charged to results of operations only in periods in which the recorded value of goodwill and certain intangibles is more than its fair value.

SFAS No. 142 was generally effective for fiscal years beginning after December 15, 2001; however, we early adopted this statement on October 1, 2001, the first day of our 2002 fiscal year, as permitted by the statement. The adoption of SFAS No. 142 resulted in the discontinuation of amortization of goodwill previously recorded of \$0.8 million annually. No impairment charges were recognized from the adoption of this statement.

Net income for the years ended September 30, 2001 and 2000 would have been \$75.5 million and \$44.2 million, respectively, after adding back goodwill amortization expensed during each such year.

SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets," issued in August 2001, addresses accounting for and reporting of the impairment or disposal of long-lived assets. We adopted SFAS No. 144 on October 1, 2002, the beginning of fiscal 2003. We expect that the adoption of SFAS No. 144 will not have a significant impact on our financial position or results of operations. However, SFAS No. 144 may modify the presentation of the operating results from abandoned or disposed markets in our statement of operations in the future.

In April 2002, SFAS No. 145, "Rescission of SFAS No. 4, 44, 64 and Amendment of SFAS No. 13 and Technical Corrections," was issued. SFAS No. 145 prevents treatment as extraordinary, gains or losses on extinguishment of debt not meeting the criteria of Accounting Principles Board Opinion ("APB") No. 30. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The adoption of SFAS No. 145 will affect the classification of such amounts in the financial statements of subsequent periods and comparative prior periods. We have not elected to early-adopt the provisions of SFAS No. 145 for this reporting period.

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

2 ACQUISITIONS

Effective April 17, 2002, Beazer acquired Crossmann Communities, Inc. ("Crossmann"). Crossmann builds single-family homes in Indiana—its home base—with operations in Kentucky, Mississippi, North Carolina, Ohio, South Carolina and Tennessee. This acquisition represents our entry into the Midwest region and strengthens our focus on the first-time homebuyer segment. We have included Crossmann's operating results in our consolidated financial statements since April 1, 2002.

The merger consideration we paid totaled approximately \$500.2 million and consisted of approximately 3.9 million shares of Beazer common stock (approximately \$308.6 million) and approximately \$191.6 million in cash. In connection with the merger, we also repaid approximately \$125.4 million of Crossmann debt, resulting in total consideration paid of \$625.6 million. The cash portion of the merger consideration and the repayment of Crossmann debt upon the merger were funded from net proceeds of our issuance of \$350 million 8³/₈% Senior Notes due 2012 in a private placement on April 17, 2002.

The acquisition has been accounted for as a purchase; accordingly, the purchase price has been tentatively allocated to reflect the fair value of assets and liabilities acquired. Under this method, Crossmann assets acquired and liabilities assumed were recorded on our balance sheet at their fair market value as of April 1, 2002. This resulted in an inventory write-up to fair value of \$26.9 million and a write-down of fixed assets to fair value of \$1.1 million. This acquisition resulted in approximately \$239.9 million of goodwill, none of which is deductible for income tax purposes. In accordance with SFAS No. 142, as discussed in Note 1, this goodwill will not be amortized.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Inventory	\$	357,801
Property, plant and equipment, net		9,085
Goodwill		239,919
Other assets		61,722
		<hr/>
Total assets acquired	\$	668,527
		<hr/>
Accounts payable and accrued liabilities	\$	31,455
Revolving credit facility		59,600

Other debt	63,641
Total liabilities assumed	154,696
Net assets acquired	\$ 513,831

The valuations and other studies required to determine the fair value of the Crossmann assets acquired and liabilities assumed are currently being finalized. Accordingly, the estimate of the excess of purchase price over identifiable tangible and intangible net assets of Crossmann is preliminary and subject to adjustments, which could be material, as further fair value information is obtained.

In August 2001, we acquired the assets and certain liabilities (approximately \$9 million) of Sanford Homes of Colorado LLLP for approximately \$59 million in cash. The acquisition has been accounted for as a purchase; accordingly the purchase price has been allocated to reflect the fair value of assets and liabilities acquired. This acquisition resulted in \$4.5 million of goodwill and \$1 million of other intangible assets; however, as discussed in Note 1, the goodwill recorded will not be amortized as a result of SFAS No. 142 transition provisions. Sanford's operating results have been included in our consolidated financial statements since August 1, 2001.

The following unaudited pro forma financial data (in thousands, except per share amounts) gives effect to our acquisitions of Crossmann and Sanford as if they had occurred on the first day of the fiscal year of acquisition and on the first day of the comparable prior period. The pro forma financial data is

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provided for comparative purposes only and is not necessarily indicative of the results that would have been obtained if the acquisitions had been effected at those dates.

Year ended September 30,	2002	2001	2000
Total revenues	\$ 3,046,841	\$ 2,708,587	\$ 1,666,026
Net income before extraordinary item	141,753	126,055	47,458
Net income	141,753	125,322	47,458
Net income per share:			
Basic	\$ 11.37	\$ 10.45	\$ 5.75
Diluted	10.62	9.63	5.50

3 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective October 1, 2000 we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Upon adoption of this statement, we held no derivative instruments and accordingly recorded no transition adjustment. SFAS No. 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.

We are exposed to fluctuations in interest rates. We enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. We do not enter into or hold derivatives for trading or speculative purposes. During the year ended September 30, 2001 we entered into interest rate swap agreements (the "Swap Agreements") to effectively fix the variable interest rate on our \$100 million four-year Term Loan. The Swap Agreements mature in December 2004, on the same day as our \$100 million Term Loan matures.

The Swap Agreements have been designated as cash flow hedges, and accordingly are recorded at fair value in our consolidated balance sheet, and the related gains or losses are deferred in stockholders' equity, net of taxes, as a component of other comprehensive income. Amounts to be received or paid as a result of the Swap Agreements are accrued and recognized as adjustments to interest related to the designated debt. The net effect of this accounting on our operating results is that interest on the variable-rate debt is generally recorded based on fixed interest rates. No portion of these hedges was considered ineffective for the year ended September 30, 2002. We expect to reclassify \$2.1 million, net of taxes of \$1.3 million, from other comprehensive loss to interest expense over the next 12 months.

As a result of the Swap Agreements, we have recorded a cumulative after-tax other comprehensive loss of \$4.8 million as of September 30, 2002. The estimated fair value of the Swap Agreements, based on current market rates, approximated a liability of \$7.9 million at September 30, 2002 and is included in other liabilities.

4 INVENTORY

Inventory consists of (in thousands):

September 30,	2002	2001
Homes under construction	\$ 596,644	\$ 435,856
Development projects in progress	653,871	338,401
Unimproved land held for future development	43,829	22,417
Model homes	69,789	48,063
Total	\$ 1,364,133	\$ 844,737

Homes under construction include homes finished and ready for delivery and homes in various stages of construction. We had 507 (\$68.7 million) and 264 (\$45.9 million) completed homes that were not subject to a sales contract, not including model homes, at September 30, 2002 and 2001, respectively.

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.

Inventory located in California, the state with our largest concentration of inventory, was \$188.2 million and \$203.8 million at September 30, 2002 and 2001, respectively.

We acquire certain lots by means of option contracts. Option contracts generally require the payment of cash for the right to acquire lots during a specified period of time at a certain price. Under option contracts, both with and without specific performance, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our obligation with respect to options with specific performance is included in other liabilities at September 30, 2002. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred which aggregated approximately \$110.9 million at September 30, 2002. This amount includes letters of credit of approximately \$33.4 million. Below is a summary of amounts (in thousands) committed under all options at September 30, 2002:

	<u>Aggregate Purchase Price of Options</u>
Options with specific performance	\$ 15,106
Options without specific performance	1,151,254
Total options	\$ 1,166,360

5 INTEREST

Information regarding interest (in thousands) is as follows:

<u>Year Ended September 30,</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Capitalized interest in inventory, beginning of year	\$ 16,271	\$ 13,681	\$ 10,488
Interest incurred and capitalized	51,171	35,825	30,897
Capitalized interest amortized to cost of sales	(43,001)	(33,235)	(27,704)
Capitalized interest in inventory, end of the year	<u>\$ 24,441</u>	<u>\$ 16,271</u>	<u>\$ 13,681</u>

6 PROPERTY, PLANT AND EQUIPMENT

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

<u>September 30,</u>	<u>2002</u>	<u>2001</u>
Land and buildings	\$ 1,133	\$ 967
Leasehold improvements	4,558	2,962
Machinery and equipment	14,186	10,003
Information systems	13,190	13,009
Furniture and fixtures	13,986	4,915
	<u>47,053</u>	<u>31,856</u>
Less: Accumulated depreciation	27,957	19,270
Property, plant and equipment, net	<u>\$ 19,096</u>	<u>\$ 12,586</u>

7 REVOLVING CREDIT FACILITY

We maintain a revolving line of credit with a group of banks which provides for up to \$250 million of unsecured borrowings. Borrowings under the credit facility generally bear interest at a fluctuating rate based upon the corporate base rate of interest announced by our lead bank, the federal funds rate or LIBOR. All outstanding borrowings will be due in September 2004. The credit facility contains various operating and financial covenants. Each of our significant subsidiaries is a guarantor under the credit facility.

Available borrowings under the credit facility are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable. At September 30, 2002 we had no borrowings outstanding, and had available borrowings of \$177 million under the credit facility. At September 30, 2001, we had no borrowings outstanding under the credit facility.

8 TERM LOAN

During fiscal 2001, we entered into a \$100 million four-year term loan with a group of banks (the "Term Loan"). The Term Loan matures in December 2004 and bears interest (3.44% at September 30, 2002) at a fluctuating rate based upon the corporate base rate of interest announced by our lead bank, the federal funds rate or LIBOR. The Term Loan contains various operating and financial covenants. Each of our significant subsidiaries is a guarantor under the Term Loan. All proceeds from the Term Loan were used to pay down then outstanding borrowings under our \$250 million revolving credit facility.

As discussed in Note 3, we entered into Swap Agreements to manage interest costs and hedge against risks associated with fluctuating interest rates related to the Term Loan. As of September 30, 2002, we had entered into interest rate swaps to effectively fix the interest rate (before spread) on the Term Loan as follows: \$75 million is fixed at 5.925% per annum; \$10 million is fixed at 5.17% per annum; \$5 million is fixed at 5.50% per annum; and \$10 million is fixed at 5.055% per annum. The Swap Agreements expire in December 2004, when the Term Loan matures.

9 SENIOR NOTES

In April 2002, we issued \$350 million 8³/₈% Senior Notes due April 2012 (the "Original Notes") in a private placement pursuant to Rule 144A and Regulation S promulgated under the Securities Act of 1933, as amended. In September 2002, we completed an offer to exchange all of the outstanding Original Notes for an equal number of 8³/₈% Senior Notes due 2012 (the "8³/₈% Senior Notes"), which were registered under the Securities Act of 1933. The terms of the 8³/₈% Senior Notes were substantially identical to the terms of the Original Notes. The Original Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). Interest on the 8³/₈% Senior Notes is payable semiannually. We may, at our option, redeem the 8³/₈% Senior Notes in whole or in part at any time after April 2007, initially at 104.188% of the principal amount, declining to 100% of the principal amount after April 2010. A portion of such notes may also be redeemed prior to April 2005 under certain conditions. We used the proceeds from the issuance of the 8³/₈% Senior Notes to fund the cash portion of the Crossmann acquisition, to repay Crossmann's outstanding net indebtedness, to reduce borrowings under our revolving credit facility at the time, and to pay related fees, commissions and other expenses.

In May 2001 we issued \$200 million 8⁵/₈% Senior Notes due May 2011 (the "8⁵/₈% Senior Notes") at a price of 99.178% of their face amount (before underwriting discount and other issuance costs). Interest on the 8⁵/₈% Senior Notes is payable semiannually. We may, at our option, redeem the 8⁵/₈% Senior Notes in whole or in part at any time after May 2006, initially at 104.3125% of the principal amount, declining to 100% of the principal amount after May 2009. A portion of such notes may also be redeemed prior to May 2004 under certain conditions. We used a portion of the proceeds from the issuance of the 8⁵/₈% Senior Notes to redeem \$115 million of our 9% Senior Notes which were due in March 2004. As a result of this redemption of the 9% Senior Notes, we recorded a pre-tax extraordinary charge during fiscal 2001 of \$1.2 million for the write-off of associated unamortized debt issuance costs.

We also have previously issued \$100 million of 8⁷/₈% Senior Notes due in April 2008 (the "8⁷/₈% Senior Notes"). Interest on the 8⁷/₈% Senior Notes is payable semiannually. We may, at our option, redeem the 8⁷/₈% Senior Notes in whole or in part at any time after March 2003, initially at 104.438% of the principal amount and declining to 100% of the principal amount after March 2006.

The 8³/₈% Senior Notes, the 8⁵/₈% Senior Notes and the 8⁷/₈% Senior Notes (collectively the "Senior Notes") are unsecured obligations ranking *pari passu* with all other existing and future senior indebtedness. All of our significant subsidiaries are full and unconditional guarantors of the Senior Notes and our obligations under the credit facility and Term Loan, and are jointly and severally liable

for obligations under the Senior Notes, credit facility and Term Loan. Each significant subsidiary is a wholly owned subsidiary of Beazer, and Beazer has no independent assets or operations. Any subsidiaries of Beazer that are not guarantors are minor subsidiaries.

The indentures under which the Senior Notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At September 30, 2002, under the most restrictive covenants of each indenture, approximately \$147.2 million of our retained earnings was available for cash dividends and for share repurchases. Each indenture provides that, in the event of defined changes in control or if our consolidated tangible net worth falls below a specified level or in certain circumstances upon sale of assets, we are required to offer to repurchase certain specified amounts of outstanding Senior Notes.

10 INCOME TAXES

The provision for income taxes consists of (in thousands):

Year Ended September 30,	2002	2001	2000
Current:			
Federal	\$ 78,709	\$ 49,323	\$ 28,448
State	13,566	8,015	3,965
Deferred	(12,850)	(8,997)	(4,534)
Total	\$ 79,425	\$ 48,341	\$ 27,879

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

Year Ended September 30,	2002	2001	2000
Income tax computed at statutory rate	\$ 70,721	\$ 43,383	\$ 25,020
State income taxes, net of federal benefit	8,524	4,734	2,615
Goodwill amortization	—	189	189
Other	180	35	55
Total	\$ 79,425	\$ 48,341	\$ 27,879

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

September 30,	2002	2001
Deferred Tax Assets:		
Warranty and other reserves	\$ 13,895	\$ 10,071
Incentive compensation	8,779	5,732
Property, equipment and other assets	2,376	805
Interest rate swaps	3,073	2,228
Other	—	804
Total Deferred Tax Assets	28,123	19,640
Deferred Tax Liabilities:		
Inventory valuation	(825)	—
Other	(199)	—
Net Deferred Tax Assets	\$ 27,099	\$ 19,640

We believe that based upon our history of profitable operations, it is more likely than not that our net deferred tax assets will be realized.

11 LEASES

We are obligated under various noncancelable operating leases for office facilities and equipment. Rental expense under these agreements amounted to approximately \$9,654,000, \$7,569,000 and \$5,992,000 for the years ended September 30, 2002, 2001 and 2000, respectively. As of September 30, 2002, future minimum lease payments under non-cancelable operating lease agreements are as follows (in thousands):

Year Ending September 30,	
2003	\$ 7,868
2004	7,268
2005	5,549
2006	3,682
2007	2,515
Thereafter	6,102
Total	\$ 32,984

12 STOCKHOLDERS' EQUITY

PREFERRED STOCK—We currently have no shares of preferred stock outstanding.

COMMON STOCK REPURCHASE PLAN—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 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).

SHAREHOLDER RIGHTS PLAN—In June 1996, our Board of Directors adopted a Shareholder Rights Plan and distributed a dividend of one preferred share purchase right (a "Right") to purchase one one-hundredth of a share of Series B Junior Participating Preferred Stock, par value \$0.01 per share (the "Junior Preferred Shares"), of Beazer. The Rights become exercisable in certain limited circumstances involving principally the acquisition of more than 20% of our outstanding common stock by any one individual or group. The Rights are initially exercisable at a price of \$80 per one hundredth of a Junior Preferred Share subject to adjustment. Following certain other events after the Rights have become exercisable, each Right entitles its holder to purchase at the Right's then-current exercise price, a number of shares of our common stock having a market value of twice such price, or, in certain circumstances, securities of the acquirer, having a then-current market value of two times the exercise price of the Right.

The Rights are redeemable and may be amended at our option before they become exercisable. Until a Right is exercised, the holder of a Right has no rights as a shareholder of Beazer. The Rights expire in June 2006.

13 EARNINGS PER SHARE

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

Year Ended September 30,	2002	2001	2000
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Earnings:						
Net income before extraordinary item	\$	122,634	\$	75,609	\$	43,606
Extraordinary loss on early extinguishment of debt		—		(733)		—
Net income applicable to common stockholders	\$	122,634	\$	74,876	\$	43,606
Basic:						
Net income applicable to common stockholders	\$	122,634	\$	74,876	\$	43,606
Weighted average number of common shares outstanding		10,535		8,145		8,254
Basic earnings per share before extraordinary item	\$	11.64	\$	9.28	\$	5.28
Extraordinary item per share		—		(0.09)		—
Basic earnings per share	\$	11.64	\$	9.19	\$	5.28
Diluted:						
Net income applicable to common stockholders	\$	122,634	\$	74,876	\$	43,606
Weighted average number of common shares outstanding		10,535		8,145		8,254
Effect of dilutive securities:						
Restricted stock units		364		493		298
Options to acquire common stock		516		518		78
Diluted weighted average number of common shares outstanding		11,415		9,156		8,630
Diluted earnings per share before extraordinary item	\$	10.74	\$	8.26	\$	5.05
Extraordinary item per share		—		(0.08)		—
Diluted earnings per share	\$	10.74	\$	8.18	\$	5.05

Options to purchase 143,898 and 276,370 shares of common stock were not included in the computation of diluted earnings per share for the years ended September 30, 2002 and 2000, respectively, because the options' exercise price was greater than the average market price of the common shares during those years.

14 RETIREMENT PLAN AND INCENTIVE AWARDS

401(K) RETIREMENT PLAN—We sponsor a 401(k) Plan (the "Plan"). Substantially all employees are eligible for participation in the Plan after completing one month of service with us. Participants may defer and contribute to the Plan from 1% to 80% of their salary with certain limitations on highly compensated individuals. We match 50% of the first 6% of the participant's contributions. The participant's contributions vest 100% immediately, while our contributions vest over five years. Our total contributions for the years ended September 30, 2002, 2001 and 2000 were approximately \$1,851,000, \$1,632,000 and \$1,555,000, respectively.

DEFERRED COMPENSATION PLAN—During fiscal 2002, we adopted the Beazer Homes USA, Inc. Deferred Compensation Plan (the "DCP Plan"). The DCP Plan is a non-qualified deferred compensation plan for a select group of executives and highly compensated employees. The Plan allows the executives to defer current compensation on a pre-tax basis to a future year, up until termination of employment.

The objectives of the Plan are: 1) to assist executives with financial planning and capital accumulation, and, 2) to provide the Company with a method of attracting, rewarding and retaining highly compensated executives. Participation in the Plan is voluntary. Beazer may voluntarily make a contribution to the participants' DCP accounts. For the year ended September 30, 2002, Beazer contributed \$284,000 to the Plan.

STOCK INCENTIVE PLANS—During fiscal 2000, we adopted the 1999 Stock Incentive Plan (the "1999 Plan"), because the shares reserved under the 1994 Stock Incentive Plan (the "1994 Plan") had been substantially depleted. We also have the Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan"). At September 30, 2002, we had reserved 2,975,000 shares of common stock for issuance under our various stock incentive plans and have 598,758 shares available for future grants.

STOCK OPTION AWARDS—We have issued several stock option awards to officers and key employees under both the 1999 Plan and the 1994 Plan, and to non-employee directors pursuant to the Non-Employee Director Plan. Stock options are generally exercisable at the fair market value of the common stock on the grant date, vest three years after the date of grant and may be exercised thereafter until their expiration on the tenth anniversary from the date such options were granted, subject to forfeiture upon termination of employment as provided in the applicable plan.

STOCK OPTION AWARDS—Information regarding activity under our stock option plans is summarized as follows:

Year ended September 30,	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	1,230,540	\$ 19.62	1,369,290	\$ 19.37	806,000	\$ 18.50
Granted	166,245	75.10	—	—	564,643	20.64
Exercised	(298,907)	18.46	(134,000)	17.02	—	—
Forfeited	(26,998)	27.10	(4,750)	20.19	(1,353)	17.75

Options outstanding at end of year	1,070,880	\$	28.37	1,230,540	\$	19.62	1,369,290	\$	19.37
Options exercisable at end of year	390,537	\$	19.86	649,250	\$	18.63	540,000	\$	17.53

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The following table summarizes information about stock options outstanding and exercisable at September 30, 2002:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding	Weighted Average Contractual Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 13-\$18	351,345	6	\$ 17.32	61,300	\$ 15.29
\$ 20-\$27	568,698	7	21.92	322,298	20.28
\$ 38-\$44	6,939	7	40.48	6,939	40.48
\$ 74-\$87	143,898	10	80.24	—	—
	<u>1,070,880</u>			<u>390,537</u>	

We apply APB No. 25, "Accounting for Stock Issued to Employees," in accounting for our stock option plans and, accordingly, no compensation cost has been recognized for stock options in the accompanying financial statements. SFAS No. 123, "Accounting for Stock-Based Compensation," requires disclosure of pro forma net income and pro forma net income per share as if the fair value based method had been applied in measuring compensation expense for awards granted since 1996. Reported and such pro forma net income (in thousands) and net income per share amounts are set forth below:

Year Ended September 30,	2002	2001	2000
Reported:			
Net income	\$ 122,634	\$ 74,876	\$ 43,606
Basic net income per share	\$ 11.64	\$ 9.19	\$ 5.28
Diluted net income per share	10.74	8.18	5.05
Pro forma:			
Net income	\$ 121,019	\$ 73,437	\$ 42,397
Basic net income per share	\$ 11.49	\$ 9.02	\$ 5.14
Diluted net income per share	10.60	8.02	4.91

The weighted average fair value of each option granted during the years ended September 30, 2002 and 2000 was \$38.30 and \$10.08, respectively. There were no options granted during the year ended September 30, 2001. The fair values of options granted were estimated on the date of their grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

Year Ended September 30,	2002	2000
Expected volatility	40.7%	33.3%
Expected dividend yield	none	none
Risk-free interest rate	4.9%	6.5%
Expected life (in years)	7.0	7.0

OTHER STOCK AWARDS—We have made several restricted stock awards to officers and key employees under both the 1999 Plan and the 1994 Plan. All restricted stock is awarded in the name of each participant, who has all the rights of other common stockholders subject to restrictions and forfeiture provisions. Accordingly, such restricted stock awards are considered outstanding shares. Compensation expense recognized for such awards totaled \$2,365,000, \$2,926,000 and \$1,140,000 for the years ended September 30, 2002, 2001 and 2000 respectively.

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Activity relating to restricted stock awards is summarized as follows:

Year Ended September 30,	2002	2001	2000
Restricted shares, beginning of year	134,625	381,624	381,624
Shares awarded	79,337	—	—
Shares forfeited	—	(4,820)	—
Shares vested	(125,625)	(242,179)	—
Restricted shares, end of year	<u>88,337</u>	<u>134,625</u>	<u>381,624</u>

We have an incentive compensation plan (called the Value Created Incentive Plan), modeled under the concepts of economic profit or economic value added. Participants may receive a portion of their earned annual incentive compensation under the plan in our common stock (the "Bonus Stock"). Such shares are issued

after a three-year vesting period at a discount to the stock's market value at the time the bonus is earned. Should the participant's employment terminate during the vesting period, the deferred incentive compensation is settled in cash or cash and stock, depending on the cause of termination.

Activity relating to Bonus Stock is as follows:

Year Ended September 30,	2002	2001	2000
Bonus Stock issuable, beginning of year	237,362	227,713	191,578
Shares awarded	28,029	47,504	52,128
Shares forfeited	(2,905)	(10,598)	(1,867)
Shares vested and issued	(53,328)	(27,257)	(14,126)
Bonus Stock issuable, end of year	209,158	237,362	227,713

EMPLOYEE RECEIVABLES—Included in accounts receivable are notes receivable from certain key employees of \$1.2 and \$1.8 million at September 30, 2002 and 2001, respectively. The loans were made in fiscal 2001 and prior to assist these employees with their tax obligations upon vesting of certain restricted stock awards. Such notes bear interest at market rates as determined by the Board of Directors. The notes are full recourse, collateralized by shares of our stock owned by the employees, and due upon the sale of such shares, or ten years, whichever occurs first.

15 CONTINGENCIES

We had outstanding letters of credit and performance bonds of approximately \$37.5 million and \$315.1 million, respectively, at September 30, 2002 related principally to our obligations to local governments to construct roads and other improvements in various developments in addition to outstanding letters of credit of approximately \$33.4 million relating to our land option contracts discussed in Note 4. We do not believe that any such letters of credit or bonds are likely to be drawn upon.

We are a defendant or plaintiff in various legal actions which have arisen in the normal course of business, the most significant of which relate to construction defects and product liability. In our opinion, the ultimate resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Independent Auditors' Report

Beazer Homes USA, Inc.

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

We have audited the accompanying consolidated balance sheets of Beazer Homes USA, Inc. and subsidiaries (the "Company") as of September 30, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Beazer Homes USA, Inc. and subsidiaries at September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Atlanta, Georgia
November 4, 2002

Summarized Quarterly Financial Information (unaudited):

Beazer Homes USA, Inc.

(dollars in thousands, except per share data)

Quarter ended	September 30	June 30	March 31	December 31
FISCAL 2002:				
Total revenue	\$ 904,331	\$ 743,813	\$ 503,312	\$ 489,717
Operating income	64,100	53,721	38,255	37,098
Net income	40,658	34,649	24,177	23,150
Net income per common share:				
Basic	\$ 3.21	\$ 2.76	\$ 2.84	\$ 2.76
Diluted	\$ 3.03	\$ 2.59	\$ 2.56	\$ 2.47
FISCAL 2001:				
Total revenue	\$ 617,005	\$ 448,825	\$ 374,297	\$ 365,050
Operating income	38,278	31,885	29,074	22,992
Net income before extraordinary item	23,845	19,925	17,507	14,332
Extraordinary item—loss on early extinguishment of debt	—	(733)	—	—
Net income	23,845	19,192	17,507	14,332
Basic earnings per share:				
Net income before extraordinary item	\$ 2.90	\$ 2.43	\$ 2.15	\$ 1.77
Extraordinary item	—	(0.09)	—	—
Net earnings	\$ 2.90	\$ 2.34	\$ 2.15	\$ 1.77
Diluted earnings per share:				
Net income before extraordinary item	\$ 2.56	\$ 2.15	\$ 1.92	\$ 1.61
Extraordinary item	—	(0.08)	—	—
Net earnings	\$ 2.56	\$ 2.07	\$ 1.92	\$ 1.61

QUARTERLY STOCK PRICE INFORMATION:

2002 PERIOD:

High	\$ 80.75	\$ 92.48	\$ 95.05	\$ 77.10
Low	\$ 54.25	\$ 70.91	\$ 66.31	\$ 41.00

2001 PERIOD:

High	\$ 79.35	\$ 69.50	\$ 57.77	\$ 41.00
Low	\$ 41.50	\$ 37.75	\$ 33.69	\$ 25.69

Board of Directors and Corporate Officers

Beazer Homes USA, Inc.

BOARD OF DIRECTORS

Brian C. Beazer
Non-Executive Chairman of the Board,
Beazer Homes USA, Inc.

Laurent Alpert
Partner, Cleary, Gottlieb, Steen & Hamilton

Thomas B. Howard, Jr.
Former Chairman and Chief Executive Officer,
Gifford-Hill & Company

Ian J. McCarthy
President and Chief Executive Officer,
Beazer Homes USA, Inc.

David E. (Ned) Mundell
Director, ORIX USA Corporation

Maureen E. O'Connell
Executive Vice President, Chief Financial
and Chief Administrative Officer, Gartner, Inc.

Larry T. Solari
Former Chairman and Chief Executive Officer,
BSI Holdings, Inc.

CORPORATE OFFICERS

Ian J. McCarthy
President and Chief Executive Officer

David S. Weiss
Executive Vice President
and Chief Financial Officer

Michael H. Furlow
Executive Vice President
and Chief Operating Officer

James O'Leary
Executive Vice President,
Corporate Development

C. Lowell Ball, Esq.
Senior Vice President, General Counsel

Michael T. Rand
Senior Vice President, Corporate Controller

John Skelton
Senior Vice President, Forward Planning

W. Mark Berry

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

Cory J. Boydston
Vice President, Financial Services
and Treasurer

Fred Fratto
Vice President, Human Resources

J. William Montgomery
Vice President, Internal Audit

Jonathan P. Smoke
Vice President, Chief Information Officer

Edmond G. Snider, Jr.
Vice President, Training and Safety

Ron J. Kuhn
President, Beazer Mortgage Corporation

Selected Financial and Operating Data: 1993-2002

Beazer Homes USA, Inc.

(dollars in thousands, except per share data)

Year ended September 30,	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
FINANCIAL HIGHLIGHTS:										
Statement of Operations Data—										
Total revenue	\$ 2,641,173	\$ 1,805,177	\$ 1,527,865	\$ 1,394,074	\$ 977,409	\$ 852,110	\$ 866,627	\$ 647,828	\$ 536,526	\$ 275,054
Earnings before interest and taxes ("EBIT")	245,060	157,185	99,189	86,013	56,525	33,051	45,327	32,188	37,169	22,713
Net income	122,634	74,876	43,606	36,934	23,201	11,189	18,266	11,352	16,468	16,046
Net earnings per share:										
Basic	\$ 11.64	\$ 9.19	\$ 5.28	\$ 4.59	\$ 3.27	\$ 1.18	\$ 2.24	\$ 1.26	\$ 1.78(1)	n/m
Diluted	10.74	8.18	5.05	4.15	2.66	1.15	2.01	1.23	1.76(1)	n/m
Balance Sheet Data at Year-End—										
Total assets	\$ 1,892,847	\$ 995,289	\$ 696,228	\$ 594,568	\$ 525,591	\$ 399,595	\$ 356,643	\$ 345,240	\$ 314,941	\$ 245,349
Total debt	739,100	395,238	252,349	215,000	215,000	145,000	115,000	115,000	115,000	119,925
Stockholders' equity	799,515	351,195	270,538	234,662	199,224	179,286	178,701	164,544	150,406	95,595
Return Data—										
Return on average assets (pre-tax)	17.0%	18.6%	15.4%	15.4%	12.2%	8.7%	12.9%	9.8%	13.3%	14.6%
Return on average capital (pre-tax)	21.4%	24.8%	20.4%	19.9%	15.3%	10.7%	15.8%	11.8%	15.5%	20.8%
Return on average equity	21.3%	24.1%	17.3%	17.0%	12.3%	6.3%	10.6%	7.2%	13.4%	16.6%
Book value per share(2)	\$ 59.63	\$ 37.71	\$ 31.41	\$ 26.48	\$ 22.78	\$ 20.75	\$ 19.59	\$ 18.60	\$ 16.31	n/m
OPERATING DATA:										
Number of new orders, net of cancellations—(3)										
Southeast Region	4,623	3,770	2,892	3,041	2,888	1,969	2,048	2,083	1,726	1,392
West Region	4,669	3,810	3,393	2,900	3,245	2,817	3,172	2,660	1,902	1,071
Central Region	1,244	1,022	695	485	749	765	401	98	—	—
Mid-Atlantic Region	1,365	1,437	1,248	1,109	—	—	—	—	48	80
Midwest Region	1,709	—	—	—	—	—	—	—	—	—
Total	13,610	10,039	8,228	7,535	6,882	5,551	5,621	4,841	3,676	2,543
Backlog at end of year:										
Southeast Region	1,867	1,240	875	999	996	505	580	708	478	437
West Region	1,833	1,606	1,149	786	743	479	680	722	506	677
Central Region	507	384	259	206	318	208	166	53	—	—
Mid-Atlantic Region	700	747	646	567	—	—	—	1	3	74
Midwest Region	1,612	—	—	—	—	—	—	—	—	—
Total	6,519	3,977	2,929	2,558	2,057	1,192	1,426	1,484	987	1,188
Number of closings:										
Southeast Region	4,575	3,414	3,016	3,108	2,493	2,044	2,212	1,853	1,734	1,312

West Region	4,442	3,412	3,030	2,857	2,981	3,018	3,343	2,444	2,073	775
Central Region	1,121	897	642	597	639	723	379	64	—	—
Mid-Atlantic Region	1,412	1,336	1,169	1,027	—	—	1	2	119	6
Midwest Region	2,053	—	—	—	—	—	—	—	—	—
Total	13,603	9,059	7,857	7,589	6,113	5,785	5,935	4,363	3,926	2,093
Average sales price per home closed:	\$ 190.8	\$ 195.3	\$ 190.7	\$ 181.4	\$ 156.4	\$ 146.8	\$ 145.8	\$ 148.5	\$ 136.7	\$ 131.4

n/m—Earnings and book value per share figures for periods prior to and including the Company's initial public offering are not meaningful.

- (1) Pro forma to give effect to the initial public offering and related transactions, as if such transactions were effected as of October 1, 1993.
(2) Book value per share is calculated as stockholders' equity divided by diluted weighted average ending shares.
(3) New orders do not include homes in backlog from acquired operations.

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At-A-Glance

Beazer Homes USA, Inc.

State	Backlog at September 30, 2002	FY 2002 Closings	Active Subdivisions at September 30, 2002	Average Price of Homes Closed in FY 2002
SOUTHEAST				
Florida		670	1,132	53 \$ 223,500
Georgia		149	473	16 172,900
North and South Carolina		823	2,103	90 146,500
Tennessee/Mississippi		225	867	29 134,500
WEST				
Arizona		615	1,211	19 157,600
California		733	2,059	26 267,200
Colorado		54	376	12 297,300
Nevada		431	796	16 177,600
CENTRAL				
Texas		507	1,121	34 155,900
MID-ATLANTIC				
Maryland		149	348	10 269,000
New Jersey/ Pennsylvania		139	277	6 221,200
Virginia		412	787	19 286,400
MIDWEST				
Indiana		1,079	1,448	100 135,100
Kentucky		77	103	5 116,300
Ohio		456	502	33 156,300
TOTAL		6,519	13,603	468 \$ 190,800

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Name	Title	Division
SOUTHEAST		
J. Martin Shaffer, Jr.	Senior Regional President	Southeast Region
Scott K. Thorson	Senior Regional President	South Atlantic Region
H. Eddie Phillips	Regional President	Nashville Division
David G. Byrnes	Division President	Orlando Division
Thomas C. Cross	Division President	Charlotte Division—Crossmann
Gilford Edwards	Division President	Myrtle Beach Division
Jason Fabrizio	Division President	Memphis Division
Frank L. Finlaw	Division President	Charleston Division
Curt Hathaway	Division President	Charlotte Division—Beazer
Krista Long	Division President	Beazer Metro
William J. Mazar	Division President	Jacksonville Division
David McKenzie	Division President	Raleigh Division
Scott Osmond	Division President	Ft. Myers Division

James Parker Division President
Louis E. Steffens Division President
E. Edward Pate, Jr. Executive Vice President and General Manager

Georgia Division
Tampa Division
Columbia Division

WEST

Kent A. Lay, Jr. Senior Regional President
Gerald A. Gates Regional President
Joseph C. Thompson Regional President
Anthony R. Tonso Regional President
Peter H. Simons Senior Division President
William A. June Division President

Mountain West Region
Southern California Division
Arizona Division
Northern California Division
Colorado Division
Nevada Division

CENTRAL

Kurt S. Watzek Senior Division President
Bruce French Executive Vice President and General Manager

Houston Division
Dallas Division

MID-ATLANTIC

Donald W. Knutson Senior Regional President
David L. Carney Division President
Paul R. Schneier Division President
Glenn Johnson Executive Vice President and General Manager

Mid-Atlantic Region
Maryland Division
New Jersey Division
Virginia Division

MIDWEST

Steven Dunn Senior Regional President
David Dugger Senior Division President
Charles Giese Division President
Larry M. Hoffmaster Division President
Charles F. Holle Division President
Anthony Incorvia Division President
Robert J. Schmatz Division President
Clifford O. White Division President

Midwest Region
Indianapolis Division
Fort Wayne Division
Cincinnati/Dayton Division
Lafayette Division
Lexington Division
Columbus Division
Indianapolis Division—Trinity

Shareholder and Corporate Information

Beazer Homes USA, Inc.

CORPORATE HEADQUARTERS

Beazer Homes USA, Inc.
5775 Peachtree Dunwoody Road
Suite B 200
Atlanta, Georgia 30342
Telephone: (404) 250-3420
www.beazer.com

GENERAL COUNSEL

C. Lowell Ball, Esq., Senior Vice President,
General Counsel

INDEPENDENT AUDITORS

Deloitte & Touche LLP

BEAZER CONFIDENTIAL ETHICS HOTLINE

Beazer Homes is committed to the highest standards of ethical conduct in its financial affairs and reporting. To help ensure that all instances of known or suspected fraud, theft, accounting or auditing improprieties or other financial misconduct are reported, the Company has set up a confidential ethics hotline at 1-800-383-0863 or through the Investor Relations section of www.beazer.com.

All communications to the Hotline are made anonymously and then transmitted directly to the Company's Vice President of Internal Audit where they are reviewed and investigated as appropriate. Persons who in good faith report evidence of known or suspected fraud, theft, accounting or auditing improprieties or other financial misconduct will not be retaliated against because of such reports.

INQUIRIES

Individuals seeking financial data should contact David S. Weiss, Executive Vice President and Chief Financial Officer.

Others seeking information about the company and its operations should contact Ian J. McCarthy, President and Chief Executive Officer.

FORM 10-K

TRANSFER AGENT

American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10038
(212) 936-5100

TRADING INFORMATION

Beazer Homes USA, Inc. lists its common shares on the New York Stock Exchange (NYSE) under the symbol "BZH." On December 13, 2002, the last reported sales price of the company's common stock on the NYSE was \$59.60.

ANNUAL MEETING

The Annual Stockholders' meeting will be held at 2:00 p.m. ET on February 11, 2003, at our offices at 5775 Peachtree Dunwoody Road, Suite B 200, Atlanta, Georgia 30342.

DUPLICATE MAILINGS

If you are receiving duplicate or unwanted copies of our publications please contact American Stock Transfer & Trust Company at the number listed above or contact David S. Weiss, Executive Vice President and Chief Financial Officer at Beazer Homes.

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Subsidiaries of the Company:

Name	Jurisdiction of Incorporation
April Corporation	Colorado
Beazer Clarksburg, LLC	Maryland
Beazer Homes Corp.	Tennessee
Beazer Homes Holdings Corp.	Delaware
Beazer Homes Sales Arizona, Inc.	Delaware
Beazer Homes Texas Holdings, Inc.	Delaware
Beazer Homes Texas, LP	Texas
Beazer Mortgage Corporation	Delaware
Beazer Realty Corp.	Georgia
Beazer Realty, Inc.	New Jersey
Beazer SPE LLC	Georgia
Beazer/Squires Realty, Inc.	North Carolina
Homebuilders Title Services of Virginia, Inc.	Virginia
Homebuilders Title Services, Inc.	Delaware
Security Title Insurance Company	Vermont
Texas Lone Star Title, LP	Texas
United Home Insurance Company, A Risk Retention Group	Vermont
Universal Solutions Insurance Agency, Inc.	Delaware
<i>Direct Subsidiaries of Beazer Homes Investment Corp.</i>	
Builders Link, Inc.	Ohio
Crossmann Communities of North Carolina, Inc.	North Carolina
Crossmann Communities of Ohio, Inc.	Ohio
Crossmann Communities of Tennessee, LLC	Tennessee
Crossmann Communities Partnership	Indiana
Crossmann Investments, Inc.	Indiana
Crossmann Management, Inc.	Indiana
Crossman Mortgage Corp.	Indiana
Crossmann Properties, LLC	Indiana
Crossmann Realty Co.	Ohio
Cutter Homes, LTD	Kentucky
Deluxe Aviation, Inc.	Indiana
Deluxe Homes of Lafayette, Inc.	Indiana
Deluxe Homes of Ohio, Inc.	Ohio
Meridian Structural Insurance, Risk Retention Group Inc.	Hawaii
Merit Realty, Inc.	Indiana
Paragon Title, LLC	Indiana
Pinehurst Builders, LLC	South Carolina
Trinity Homes, LLC	Indiana

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[EXHIBIT 21](#)

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EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-94843 on Form S-3 and in Registration Statements No. 333-24765, 333-69398, 333-86558 and 333-101142 on Form S-8 of Beazer Homes USA, Inc. of our report dated November 4, 2002, appearing in this Annual Report on Form 10-K of Beazer Homes USA, Inc. for the year ended September 30, 2002.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
December 19, 2002

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[EXHIBIT 23](#)

[INDEPENDENT AUDITORS' CONSENT](#)

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

In connection with the Annual Report of Beazer Homes USA, Inc. (the "Company") on Form 10-K for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ian J. McCarthy, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Ian J. McCarthy

Ian J. McCarthy
President and Chief Executive Officer
December 20, 2002

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[Exhibit 99.1](#)

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

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

In connection with the Annual Report of Beazer Homes USA, Inc. (the "Company") on Form 10-K for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David S. Weiss, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David S. Weiss

David S. Weiss
Executive Vice President and Chief Financial Officer
December 20, 2002

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[Exhibit 99.2](#)

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