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ITEM 1. BUSINESS

GENERAL

Beazer Homes USA, Inc. ("Beazer" or the "Company") designs, builds and sells single family homes in the Southeast, Southwest and Central regions of the United States. The Company's Southeast region includes Georgia, Florida, North Carolina, South Carolina and Tennessee, its Southwest region includes Arizona, California and Nevada, and its Central region includes Texas. The Company's homes are designed to appeal primarily to entry-level and first move-up home buyers.

The Company's objective is to provide its customers with homes that incorporate quality and value while seeking to maximize its return on invested capital. To achieve this objective, the Company has developed a business strategy which focuses on the following elements:

GEOGRAPHIC DIVERSITY AND GROWTH MARKETS. The Company competes in a large number of geographically diverse markets in an attempt to reduce its exposure to any particular regional economy. Virtually all of the markets in which the Company operates have experienced significant population growth in recent years. Within these markets, the Company builds homes in a variety of projects, typically with fewer than 150 homesites.

QUALITY HOMES FOR ENTRY-LEVEL AND FIRST TIME MOVE-UP HOME BUYERS. The Company seeks to maximize customer satisfaction by offering homes which incorporate quality materials, distinctive design features, convenient locations and competitive prices. The Company focuses on entry-level and first move-up home buyers because it believes they represent the largest segment of the homebuilding market. During fiscal year 1996, the average sales price of the Company's homes closed was approximately \$146,000.

DECENTRALIZED OPERATIONS WITH EXPERIENCED MANAGEMENT. The Company believes its in-depth knowledge of its local markets enables the Company to better serve its customers. The Company's 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. The Company combines these decentralized operations with a centralized corporate-level management which controls decisions regarding overall strategy, land acquisitions and financial matters.

CONSERVATIVE LAND POLICIES. The Company seeks to maximize its return on capital employed by limiting its investment in land and by focusing on inventory turnover. To implement this strategy and to reduce the risks associated with investments in land, the Company uses options to control land whenever possible. In addition, the Company does not speculate in unentitled land.

The Company was formed in November 1993 in anticipation of an initial public offering of its Common Stock and issuance of its 9% Senior Notes due 2004. A predecessor of the Company was established in 1985 through the acquisition by Beazer PLC of an established regional homebuilder in Atlanta, Georgia. At the time of such acquisition, Beazer PLC was among the largest homebuilders in the United Kingdom. After expanding its homebuilding operations to Tennessee, North Carolina and South Carolina through additional acquisitions, Beazer PLC was acquired by an indirect, wholly owned subsidiary of Hanson PLC.

In early 1993, the Company entered the Arizona, California and Nevada homebuilding markets by acquiring substantially all of the homebuilding operations of Watt Housing Corporation ("Watt") pursuant to an asset purchase agreement, effective February 1, 1993 (the "Watt Acquisition"). Affiliates and predecessors of Watt have been in business since 1947 and, immediately prior to the Watt Acquisition, Watt was a builder of single family detached and attached homes in Arizona, California and Nevada.

Beazer entered the Jacksonville, Florida market in fiscal 1994 by acquiring Panitz & Company, Chartered ("Panitz") pursuant to an asset purchase agreement, effective October 1, 1993, and the Fort Meyers/Naples, Florida market in fiscal 1996 by acquiring Gulfcoast Homes pursuant to an asset purchase agreement, effective May 23, 1996.

Beazer entered the Dallas and Houston markets in fiscal 1995 by acquiring Bramalea Homes Texas, Inc. ("Bramalea") pursuant to an asset purchase agreement, effective April 1995, and expanded its presence in Dallas in fiscal 1996 by acquiring Trendmaker Homes - Dallas pursuant to an asset purchase agreement, effective June 26, 1996.

During fiscal 1996 the Company established Beazer Mortgage Company ("Beazer Mortgage"). Beazer Mortgage was established to originate, but not hold or service, mortgages for the homebuilding operations of Beazer. At September 30, 1996 one branch office in Atlanta was operational, with two additional branches, Charlotte and Houston, in a start-up phase.

MARKETS AND PRODUCT DESCRIPTION

The Company evaluates a number of factors in determining which geographic markets to enter or in which to concentrate its homebuilding activities. The Company attempts to anticipate swings in economic and real estate conditions by evaluating such statistical information as (i) the historical and projected growth of the population; (ii) the number of new jobs created or projected to be created; (iii) the number of housing starts in previous periods; (iv) building lot availability and price; (v) housing inventory; (vi) level of competition; and (vii) home sales absorption rates. In addition, the Company seeks to avoid direct competition in a particular market with respect to product type.

The Company maintains the flexibility to alter its product mix within a given market depending on market conditions and, in determining its product mix, considers 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, the Company in recent years has focused, and intends to continue to focus, its business primarily on entry-level and first 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 home buyers, while first time move-up homes generally are priced in the mid-to-upper price range and target a wide variety of home buyers as they progress in income and family size. Although some of the Company's move-up homes are priced at the upper end of the market and the Company offers a selection of amenities, the Company generally does not build "custom homes," and its prices of first move-up homes generally are well below the prices of custom homes in most areas. The Company attempts to maximize efficiency by using standardized design plans whenever possible and sharing design plans among markets.

The following table summarizes information regarding the Company's markets as of and for the year ended September 30, 1996.

STATE	MARKET (S)	FISCAL YEAR ENTERED	AVERAGE CLOSING PRICE BY STATE	ACTIVE PROJECTS BY STATE	NUMBER OF HOMES CLOSED BY STATE
SOUTHEAST REGION:					
Florida	Jacksonville.....	1993	\$ 160,900	22	405
	Treasure Coast.....	1995			
	Fort Myers/Naples.....	1996			
	Tampa/St. Petersburg.....	1996			
Georgia	Atlanta.....	1985	141,700	17	308
	North Carolina	Charlotte.....	1987	144,600	24
South Carolina...		Raleigh.....	1992		
	Tennessee	Charleston.....	1987	117,700	16
Columbia.....		1993			
Myrtle Beach.....		1996			
Tennessee	Nashville.....	1987	171,200	20	526
	Knoxville.....	1995			
SOUTHWEST REGION:					
Arizona	Phoenix.....	1993	121,100	26	1,852
California	Los Angeles County.....	1993	179,300	24	1,018
	Orange County.....	1993			
	Riverside & San Bernadino Counties.....	1993			
	San Diego County.....	1992			
	Ventura County.....	1993			
	Solano County.....	1993			
Nevada	Las Vegas.....	1993	145,400	12	473
	Reno/Sparks.....	1996			
CENTRAL REGION:					
Texas	Dallas.....	1995	154,700	31	379
	Houston.....	1995			
OTHER MARKETS:					
New Jersey	Clifton.....	1992	185,000	0	1
			\$ 146,000	192	5,935

The Company's homebuilding and marketing activities are conducted under the name of Beazer Homes in each of its markets except as follows:

MARKET	DOING BUSINESS AS
Arizona	Hancock Homes
Jacksonville, Florida	Panitz Homes
Fort Myers, Florida	Gulfcoast Homes
Tennessee	Phillips Builders
North Carolina	Squires Homes
South Carolina	Squires Homes

CORPORATE OPERATIONS

At a centralized level, the Company (i) evaluates and selects geographic markets; (ii) allocates capital resources to particular markets, including with respect to land acquisitions; (iii) maintains the Company's relations with its lenders to regulate the flow of financial resources and develop consistent relationships with such lenders; and (iv) monitors the decentralized operations of the Company's divisions. The Company allocates capital resources necessary for new projects consistent with its overall operating strategy. The Company utilizes return on capital employed, profit margin and payback period as criteria for its allocation of capital resources. The Company does not have pre-set targets for such criteria, and instead varies such 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 the Company's strategy. Centralized financial controls are also maintained through the standardization of accounting and financial policies and procedures, which are applied uniformly throughout the Company.

Structurally, the Company operates 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 acquired by the Company is purchased only after necessary entitlements have been obtained so that the Company has certain rights to begin development or construction as market conditions dictate. In certain situations, the Company will purchase unentitled property where it perceives an opportunity to build on such property in a manner consistent with the Company's 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 Company's purchase of land, the Company is still required to obtain a variety of other governmental approvals and permits during the development process.

The Company has occasionally used partnerships or joint ventures to purchase and develop land where such arrangements were necessary to acquire the land or appeared to be otherwise economically advantageous to the Company. In the future, the Company may consider the use of partnership or joint venture arrangements from time to time when management perceives a favorable opportunity to use such financing arrangements.

The Company selects its land for development based upon a variety of factors, including (i) internal and external demographic and marketing studies; (ii) suitability for projects comprised of generally less than 150 homesites; (iii) suitability for development during the time period of one to five years from the beginning of the development process to the last closing; (iv) financial review as to the feasibility of the proposed project, including projected profit margins, returns on capital employed and payback periods; (v) the ability to secure governmental approvals and entitlements; (vi) environmental and legal due diligence; (vii) competition; (viii) proximity to local traffic corridors and amenities; and (ix) management's judgment as to the real estate market, economic trends and the Company's experience in a particular market.

The Company generally purchases land or obtains an option to purchase land which, in either case, requires certain site improvements prior to construction. Where required, the Company then undertakes or, in the case of land under option, the grantor of the option then undertakes, the development activities (through contractual arrangements with local developers) that 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, the Company also buys finished lots that are ready for construction.

The Company strives to develop a design and marketing concept for each of its 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 the Company's cost of lots in the project. The Company is, however, often able to use standardized design plans.

The development and construction of each project are managed by the Company's operating divisions, each of which is led by a president who, in turn, reports to the president of the region and the Company's 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 located at 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.

The following table sets forth, by state, the Company's land inventory as of September 30, 1996.

SEPTEMBER 30, 1996						
	LAND OWNED		LAND UNDER CONTRACT		TOTAL	FISCAL YEAR 1996 HOMES CLOSED
	FINISHED LOTS	UNDEVELOPED LOTS (I)	FINISHED LOTS	UNDEVELOPED LOTS (I)		
SOUTHEAST REGION:						
Georgia.....	382	170	270	0	822	308
North Carolina.....	332	554	390	1,416	2,692	697
South Carolina.....	254	82	170	859	1,365	276
Tennessee.....	677	437	609	531	2,254	526
Florida.....	352	30	567	0	949	405
SOUTHWEST REGION:						
Arizona.....	569	54	1,024	0	1,647	1,852
California.....	642	1,037	397	406	2,482	1,018
Nevada.....	643	0	581	0	1,224	473
CENTRAL REGION:						
Texas.....	756	65	865	0	1,686	379
Other Markets.....	0	0	0	0	0	1
Total.....	4,607	2,429	4,873	3,212	15,121	5,935

(i) Undeveloped lots consist of raw land that is expected to be developed into the respective number of lots reflected in this table.

The Company acquires 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. Under option contracts without specific performance obligations, the Company's liability is limited to forfeiture of the non-refundable deposits, which aggregated approximately \$10.3 million at September 30, 1996. Under option contracts with specific performance obligations, the Company generally is required to purchase specific numbers of lots on fixed dates pursuant to a contractually established schedule. Under such option contracts with specific performance obligations, the party granting the option is required to maintain and/or develop the property pursuant to certain standards specified in the contract and to deliver lots which are free of any liens and are appropriate for residential building pursuant to a specified schedule. If the Company fails to purchase the required number of lots on the date fixed for purchase pursuant to such option contracts and the party granting the option has fulfilled all of its obligations under the contract, the party granting the option to the Company generally has the right to either terminate the option granted pursuant to the option contract in its entirety or to require the Company to purchase the remaining lots. If the party granting the option fails to meet its obligations under such option contracts, the Company generally may, at its option, either not make the lot purchase or require the party granting the option to cure the deficiency. Under such option contracts, if the Company

purchases a lot and subsequently discovers that the lot did not meet all of the conditions specified by the option contract, the Company generally may require the party granting the option to repurchase the lot or cure the deficiency. At September 30, 1996, committed amounts under option contracts with specific performance obligations aggregated approximately \$60.9 million, while option contracts without specific performance obligations aggregated \$131.1 million. The Company's option contracts have expiration periods ranging from one to 60 months.

CONSTRUCTION

The Company acts as the general contractor for the construction of its projects. The Company's project development operations are controlled by its 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. The Company specifies that quality, durable materials be used in the construction of the Company's homes. The Company's subcontractors follow design plans prepared by architects and engineers who are retained by the Company 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 the Company's subcontractors and materials' suppliers are generally entered into after competitive bidding, and the Company does not have any long-term contractual commitments with any of its subcontractors or suppliers. In connection with such competitive bid process, the Company obtains information from prospective subcontractors and vendors with respect to their financial condition and ability to perform their agreements with the Company. The Company does not maintain significant inventories of construction materials except for materials being utilized for homes under construction. The Company has numerous suppliers of raw materials and services used in its 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 the Company's vendors. In order to reduce costs and improve service to the Company, Beazer from time to time enters into regional and national supply contracts with certain of its vendors. For instance, during 1996 the Company entered into a three year agreement with General Electric as its exclusive supplier of appliances. The Company believes that its relationships with its suppliers and subcontractors are good.

Construction time for the Company's 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 the Company's markets except California, construction of a home historically has been completed within three to four months following commencement of construction. In California, construction of a home historically has been completed within four to eight months following commencement of construction. At September 30, 1996, the Company had 608 finished homes, of which 165 were sold and included in backlog at such date.

WARRANTY PROGRAM

The Company provides a one-year limited warranty of workmanship and materials with each of its homes, which generally includes home inspection visits with the customer during the first year following the purchase of a home. The Company subcontracts its homebuilding work to subcontractors who provide the Company 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 the Company's subcontractors. The Company also provides homeowners with an insured 10-year homeowners' warranty through a single national agreement with the Home Buyers Warranty Corporation ("HBW"). The first year of such warranty covers unfulfilled workmanship claims, as well as 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. An allowance of approximately 0.5% to 1.0%

of the sale price of a home is established to cover warranty expenses, although this allowance is subject to adjustment in special circumstances. The Company's historical experience is that such warranty expenses generally fall within the amount established for such allowance.

For homes closed prior to October 7, 1994, the Company's structural warranty coverage was with the Home Owners Warranty Corporation ("HOW"). On October 7, 1994, the Commonwealth of Virginia placed HOW under temporary receivership, and a permanent injunction followed on October 17, 1994. Terms of the injunction allowed policies that were effective prior to October 7, 1994 to be honored for their full term. Concurrent with the above, the Company entered into an agreement with HBW to provide its homebuyers with equally suitable coverage for homes closed subsequent to October 7, 1994. The Company anticipates, however, that substantially all claims under such policies will be at levels below applicable deductibles and, therefore, could be the subject of a claim under the Company's warranty. The Company does not currently have any material litigation or claims regarding warranties or latent defects with respect to the construction of its homes. The Company believes that claims and litigation will be substantially covered by the Company's warranty accrual or insurance.

The Company is currently considering the establishment of a risk retention group to self insure its structural warranty obligations and replace the Company's warranty program with HBW. The Company believes this would result in cost savings to the Company.

MARKETING AND SALES

The Company makes extensive use of advertising and other promotional activities, including newspaper advertisements, brochures, direct mail and the placement of strategically located sign boards in the immediate areas of its developments.

The Company normally builds, decorates, furnishes and landscapes between one and five model homes for each project and maintains on-site sales offices. At September 30, 1996, the Company maintained 248 model homes, of which 168 were owned and 80 were leased from third parties pursuant to sale and leaseback agreements. The Company believes that model homes play a particularly important role in the Company's marketing efforts. Consequently, the Company expends a significant effort in creating an attractive atmosphere at its model homes. Interior decorations are undertaken by both in-house and third party local design specialists, and vary among the Company's models based upon the lifestyles of targeted home buyers. 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 home buyers may select various optional amenities. The Company also uses a cross-referral program that encourages Company personnel to direct customers to other Company subdivisions based on the customers' needs.

The Company generally sells its homes through commissioned employees (who typically work from the sales offices located at the model homes used in each division) as well as through independent brokers. Company personnel are available to assist prospective home buyers by providing them with floor plans, price information and tours of model homes and in connection with the selection of options. The Company's selection of interior features is a principal component of the Company's marketing and sales efforts. Sales personnel are trained by the Company 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 the Company's operating policies and housing products. The Company's policy also provides that sales personnel be licensed real estate agents where required by law. The Company typically also builds 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, 1996, excluding models, the Company had 1,083 homes at various stages of completion for which the Company had not received a sales contract.

The Company uses various sales incentives (such as landscaping and certain interior home options and upgrades) in order to attract home buyers. The use of incentives depends largely on prevailing economic and competitive market conditions.

CUSTOMER FINANCING

The Company provides customer financing in certain markets through branch offices of Beazer Mortgage. Beazer Mortgage provides mortgage originations only, and does not retain or service the mortgages that it originates. Such mortgages are generally funded by one of a network of mortgage lenders arranged for the Company by Homebuilders Financial Network, an independent consultant of the Company. Beazer Mortgage currently operates in Atlanta, Charlotte and Houston.

For operations that have not established Beazer Mortgage branches, Company seeks to assist its home buyers in obtaining financing from mortgage lenders offering qualified home buyers a variety of financing options, including a wide variety of conventional, FHA and VA financing programs. From time to time, the Company has arranged for lender representatives to be available in sales offices, has prequalified home buyers and has paid a portion of the closing costs and discount mortgage points to assist home buyers with financing. In certain limited circumstances, the Company may attempt to minimize potential risks relating to the availability of customer financing by purchasing mortgage financing commitments that lock in the availability of funds and interest rates at specified levels for a certain period of time. Since substantially all home buyers 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 home buyers from the Company's markets in the future.

COMPETITION AND MARKET FACTORS

The development and sale of residential properties is highly competitive and fragmented. The Company competes 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 the Company. The Company also competes for residential sales with individual resales of existing homes, available rental housing and, to a lesser extent, resales of condominiums. The Company believes that it compares favorably to other builders in the markets in which it operates, due primarily to (i) its experience within its geographic markets and breadth of product line, which allow it to vary its regional product offerings to reflect changing market conditions; (ii) its responsiveness to market conditions, enabling it to capitalize on the opportunities for advantageous land acquisitions in desirable locations; and (iii) its reputation for quality design, construction and service.

The housing industry is cyclical and is affected by consumer confidence levels, prevailing economic conditions generally, and interest rate levels in particular. 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 the Company's land is purchased with entitlements, giving it the right to obtain building permits upon compliance with specified conditions, which generally are within the Company's control. Upon compliance with such conditions, the Company must seek 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 in California 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 the Company's

development activities, and indeed all home-builders 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 the Company in the future.

The Company 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 it operates. Substantially all of the Company's land is entitled and, therefore, the moratoriums generally would only adversely affect the Company 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 are normally established, however, when the Company receives recorded final maps and building permits. The Company is 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 the Company to incur substantial compliance and other costs, and prohibit or severely restrict development in certain environmentally sensitive regions or areas.

BONDS AND OTHER OBLIGATIONS

The Company is frequently required, in connection with the development of its projects, to obtain letters of credit and performance, maintenance and other bonds in support of its related obligations with respect to such developments. The amount of such obligations outstanding at any time varies in accordance with the Company's pending development activities. In the event any such bonds or letters of credit are drawn upon, the Company would be obligated to reimburse the issuer of such bonds or letters of credit. At September 30, 1996, there were approximately \$6.0 million and \$50.4 million of outstanding letters of credit and performance bonds, respectively for such purposes. The Company does not believe that any such bonds or letters of credit are likely to be drawn upon.

EMPLOYEES AND SUBCONTRACTORS

At September 30, 1996, the Company employed 1,070 persons, of whom 220 were sales and marketing personnel, 370 were executive, management and administrative personnel, 452 were involved in construction and 28 were employed at the Nashville, Tennessee manufacturing facility. Although none of the Company's employees is covered by collective bargaining agreements, certain of the subcontractors engaged by the Company are represented by labor unions or are subject to collective bargaining arrangements. The Company believes that its relations with its employees and subcontractors are good.

ITEM 2. PROPERTIES

The Company leases approximately 4,850 square feet of office space in Atlanta, Georgia to house its corporate headquarters. The Company also leases an aggregate of approximately 100,000 square feet of office space for its subsidiaries' operations at various locations. The Company owns approximately 18,500 square feet of manufacturing space and 6,800 square feet of office space in Nashville, Tennessee.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings, all of which have arisen in the ordinary course of business and some of which are covered by insurance. In the opinion of the Company's management, none of the claims relating to such proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

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

No matter was submitted to a vote of security holders during the quarter ended September 30, 1996.

SEPARATE ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT

Unless otherwise indicated, the following executive officers have served in their current capacity with the Company since its inception.

NAME	AGE	POSITION
EXECUTIVE OFFICERS		
Ian J. McCarthy.....	43	President, Chief Executive Officer and Director
David S. Weiss.....	36	Executive Vice President, Chief Financial Officer and Director
John Skelton.....	47	Senior Vice President, Operations and Controllor
Peter H. Simons.....	37	Since September 1994, Vice President, Corporate Development
David T. Root.....	49	Since November 1994, Vice President, Operations
Gary N. Baucom.....	52	President, Squires Homes, Inc.
H. Eddie Phillips.....	49	President, Phillips Builders, Inc.
James A. Moore.....	56	Since May 1995, Southeast Regional Manager
Michael T. Rand.....	34	Since December 1996, Vice President, Operational and Accounting Controls

All officers are elected by the Board of Directors.

There are no family relationships nor arrangements or understandings pursuant to which any of the officers listed were elected. See pages 12 to 14 of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on February 6, 1997 for a description of employment arrangements with certain executive officers of the Company.

BUSINESS EXPERIENCE

Refer to page 4 of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on February 6, 1997 for the business experience of Messrs. Ian J. McCarthy, and David S. Weiss.

JOHN SKELTON. Mr. Skelton has served as the Company's Senior Vice President, Operations and Controllor since March 1994. Mr. Skelton served as Vice President and Chief Financial Officer of Beazer Homes, Inc. since 1985 and Vice President and Chief Financial Officer of Beazer Homes Holdings, Inc. 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.

PETER H. SIMONS. Mr. Simons has served as Vice President of Corporate Development since September 1994. The preceding year, he was Director of Operations for Lokelani Homes in Hawaii. From 1989 to 1993, Mr. Simons was a Senior Project Manager for Castle & Cooke Properties in Hawaii. Mr. Simons earned a Bachelor of Arts degree from Yale University and a Masters in Public and Private Management from the Yale School of Management.

DAVID T. ROOT. Mr. Root has served as Vice President of Operations since November 1994. From the time Mr. Root joined the Company in July 1992 to November 1994, he managed product development and certain operational matters for the Company. Prior to joining the Company, Mr. Root was the Director of Operations for several Southern California development companies and brings over 20 years of experience to the Company. Mr. Root earned a Bachelor of Science degree from the University of Nevada, and is a licensed general contractor and real estate broker.

GARY N. BAUCOM. Mr. Baucom has served as President of Squires Homes, Inc., a subsidiary of the Company, since 1987. He joined the Ralph Squires Construction Company in 1971 and served as Vice President, Finance, and was promoted to Executive Vice President in 1980. Mr. Baucom earned a Bachelor of Science degree in Accounting from the University of North Carolina at Charlotte. Mr. Baucom is a licensed Certified Public Accountant.

H. EDDIE PHILLIPS. Mr. Phillips has served as President of Phillips Builders, Inc., a subsidiary of the Company, since January 1989. Prior to that time, Mr. Phillips was Senior Vice President of Phillips Builders, Inc. for the preceding ten years and, in that capacity, was responsible for all aspects of land acquisition, land development, product design, home construction and contracting. Mr. Phillips also established the component manufacturing plant for Phillips Builders, Inc. in Nashville, Tennessee. Mr. Phillips earned a Bachelor of Science degree in Business Administration from the University of Tennessee.

JAMES A. MOORE. Mr. Moore joined the Company as President of Beazer Homes Nevada in January 1994. Since May 1995 he has served as Southeast Regional Manager responsible for operations in Georgia, Texas and Florida. Prior to joining the Company, Mr. Moore was President of Watt Housing Corp., a homebuilding and land development company, as well as a director and officer of Watt Housing Corp. and several of its subsidiaries. Mr. Moore has also acted as a management consultant in the homebuilding industry. Mr. Moore earned a Bachelor of Science degree in Accounting from Northern Illinois University. Mr. Moore is a licensed Certified Public Accountant.

MICHAEL T. RAND. Mr. Rand joined the Company in December 1996. Prior to that time he was a Senior Audit Manager with KPMG Peat Marwick LLP, where he had been employed since 1984. Mr. Rand earned a Bachelor of Science degree in Commerce from the University of Virginia. Mr. Rand is a licensed Certified Public Accountant.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the information set forth under the captions "Trading Information" and "Quarterly Stock Price Information" located on Page 41 and 37, respectively, of the Company's Annual Report to Shareholders for the year ended September 30, 1996.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated by reference from page 15 of the Company's Annual Report to Shareholders for the Year ended September 30, 1996.

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 the pages 16 to 23 of the Company's Annual Report to Shareholders for the year ended September 30, 1996.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated by reference from pages 25 to 36 of the Company's Annual Report to Shareholders for the year ended September 30, 1996.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On December 12, 1995, upon the recommendation of the Audit Committee, the Board of Directors selected the firm of Deloitte & Touche LLP to serve as the Company's independent auditor for the fiscal year ending September 30, 1996. Ernst & Young LLP served as independent auditor for the Company's fiscal years ended September 30, 1995 and 1994.

Ernst & Young LLP's report on the financial statements of the Company for the fiscal years ended September 30, 1995 and 1994 did not contain an adverse opinion or a disclaimer of an opinion. Neither in connection with the audits by Ernst & Young LLP for the fiscal years ended September 30, 1995 and 1994 nor during any subsequent interim period, were there disagreements on any matters of accounting principles or practice, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of the disagreement in connection with its reports.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Director information is incorporated by reference from pages 3 to 4 of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held February 6, 1997. Information regarding the Company's executive officers is set forth in under Part I as a separate item.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from pages 7 to 14 of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held February 6, 1997.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this is incorporated by reference from page 6 of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held February 6, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements.

The Report of the Independent Auditors and the following consolidated financial statements are incorporated by reference from the Company's Annual Report to Shareholders for the fiscal year ended September 30, 1996 in Part II, Item 8 of this report:

Consolidated Statements of Operations for the years ended September 30, 1996, 1995 and 1994.

Consolidated Balance Sheets as of September 30, 1996 and 1995.

Consolidated Statement of Stockholders' Equity for the years ended September 30, 1996, 1995 and 1994.

Consolidated Statements of Cash Flow for the years ended September 30, 1996, 1995 and 1994.

Notes to Consolidated Financial Statements.

The Report of the Independent Auditors on the consolidated financial statements for the fiscal year ended September 30, 1995 is included in this report on page 18.

2. Financial Statement Schedules.

None required.

3. Exhibits

EXHIBIT
NUMBER

-
- 3.1(7) --Amended and Restated Certificate of Incorporation of the Company.
 - 3.2(7) --Amended and Restated Bylaws of the Company.
 - 4.1(1) --Indenture dated as of March 2, 1994 among the Company, its subsidiaries party thereto, and Continental Bank, National Association, as trustee, relating to the Company's 9% Senior Notes due 2004.
 - 4.2(2) --Form of 9% Senior Note due 2004.
 - 4.3(6) --Specimen of Common Stock Certificate.
 - 4.4(4) --Form of Certificate of Designations for Series A Cumulative Convertible Exchangeable Preferred Stock, \$.01 par value per share.
 - 4.5(4) --Form of Certificate representing shares of Series A Cumulative Convertible Exchangeable Preferred Stock, \$.01 par value per share.

EXHIBIT
NUMBER

- 4.6(4) --Form of Indenture between the Company and the First National Bank of Boston, as trustee, relating to the 8% Convertible Subordinated Debentures due 2005.
- 4.7(4) --Form of 8% Convertible Subordinated Debenture due 2005.
- 4.8(5) --Retirement Savings and Investment Plan.
- 4.9(5) --Summary Plan Description.
- 4.10(8) --Rights Agreement, dated as of June 21, 1996, between the Company and First Chicago Trust Company of New York, as Rights Agent.
- 10.1 --Credit Agreement dated as of October 22, 1996 between the Company and First National Bank of Chicago, as agent (filed herewith).
- 10.2(3) --Amended 1994 Stock Incentive Plan.
- 10.3(3) --Non-Employee Director Stock Option Plan.
- 10.4(2) --Asset Purchase Agreement dated as of April 14, 1993 as amended, between Beazer Homes Holdings Inc., Beazer Homes California Inc., Beazer Homes Nevada Inc., Beazer Homes Arizona Inc., Beazer Homes Sales Arizona Inc., Watt Housing Corporation, Watt American, Inc., Watt/Hancock Homes of Arizona, Inc., Watt Homes Inc., Watt Nevada, Inc., Watt Homes of Northern California, Inc., Watt Pacific, Inc., Orange Homes South, Inc., Narcissa Corporation, and WH/Arizona, Inc.
- 10.5(9) --Amended and Restated Employment Agreement dated as of March 31, 1995 between the Company and Ian J. McCarthy.
- 10.6(9) --Amended and Restated Employment Agreement dated as of March 31, 1995 between the Company and David S. Weiss.
- 10.7(9) --Amended and Restated Employment Agreement dated as of March 31, 1995 between the Company and John Skelton.
- 10.8(9) --Amended and Restated Employment Agreement dated as of March 31, 1995 between the Company and Gary N. Baucom.
- 10.9(1) --Employment Agreement dated as of March 2, 1994 between the Company and H. Eddie Phillips.
- 10.11 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and Ian J. McCarthy (filed herewith).
- 10.12 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and David S. Weiss (filed herewith).
- 10.13 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and John Skelton (filed herewith).
- 10.14 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and Peter H. Simons (filed herewith).
- 11 --Earnings Per Share Calculations (filed herewith).
- 13 --Annual Report to Shareholders for the year ended September 30, 1996. (filed herewith)
- 21 --Subsidiaries of the Company (filed herewith).
- 23.1 --Consent of Deloitte & Touche LLP, Independent Auditors (filed herewith)

EXHIBIT
NUMBER

23.2 --Consent of Ernst & Young LLP, Independent Auditors (filed herewith).

27 --Financial Data Schedule (filed herewith).

-
- (1) Incorporated herein by reference to the exhibits to the Company's report on Form 10-Q for the quarterly period ended March 31, 1994.
 - (2) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-1 (Registration No. 33-72982) initially filed on December 15, 1993.
 - (3) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 1994.
 - (4) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-3 (Registration No. 33-92892) initially filed on June 15, 1995.
 - (5) 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.
 - (6) 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.
 - (7) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on May 30, 1996
 - (8) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on June 21, 1996
 - (9) Incorporated herein by reference to the exhibits to the Company's report on Form 10-Q for the quarterly period ended March 31, 1995.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the fourth quarter of the fiscal year ended September 30, 1996.

(c) Exhibits

Reference is made to Item 14(a)3 above. The following is a list of exhibits, included in Item 14(a)3 above, that are filed concurrently with this report.

- 10.1 --Credit Agreement dated as of October 22, 1996 between the Company and First National Bank of Chicago, as agent (filed herewith).
- 10.11 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and Ian J. McCarthy (filed herewith).
- 10.12 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and David S. Weiss (filed herewith).
- 10.13 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and John Skelton (filed herewith).

10.14 --Supplemental Employment Agreement dated as of July 17, 1996 between the Company and Peter H. Simons (filed herewith).

11 --Earnings Per Share Calculations

13 --The Company's Annual Report to Shareholders for the fiscal year ended September 30, 1996. 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 to be 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,
1996

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21 --Subsidiaries of the Company

23.1 --Consent of Deloitte & Touche LLP, Independent Auditors

23.2 --Consent of Ernst & Young LLP, Independent Auditors.

27 --Financial Data Schedule

(d) Financial Statement Schedules

Reference is made to Item 14(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 17, 1996

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.

SIGNATURE	TITLE	DATE
/s/ BRIAN C. BEAZER ----- (Brian C. Beazer)	Director and Non-Executive Chairman of the Board	December 17, 1996
/s/ IAN J. MCCARTHY ----- (Ian J. McCarthy)	Director, President and Chief Executive Officer (Principal Executive Officer)	December 17, 1996
/s/ DAVID S. WEISS ----- (David S. Weiss)	Director, Executive Vice President and Chief Financial Officer (Principal Financial Officer)	December 17, 1996
/s/ THOMAS B. HOWARD ----- (Thomas B. Howard)	Director	December 17, 1996
/s/ GEORGE W. MEFFERD ----- (George W. Mefferd)	Director	December 17, 1996
/s/ D.E. MUNDELL ----- (D.E. Mundell)	Director	December 17, 1996
/s/ LARRY T. SOLARI ----- (Larry T. Solari)	Director	December 17, 1996
/s/ JOHN SKELTON ----- (John Skelton)	Secretary, Senior Vice President and Controller (Principal Accounting Officer)	December 17, 1996

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheet of Beazer Homes USA, Inc. as of September 30, 1995, and the related consolidated statements of operations, stockholders' equity/invested capital and cash flows for each of the two years in the period ended September 30, 1995. These consolidated financial statements are the responsibility of the management of Beazer Homes USA, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Beazer Homes USA, Inc. at September 30, 1995 and the consolidated results of its operations and its cash flows for each of the two years in the period ended September 30, 1995, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
October 27, 1995

CREDIT AGREEMENT

Dated as of October 22, 1996

BEAZER HOMES USA, INC.,
The Guarantors Parties Thereto,
The Banks Parties Thereto,
and
The First National Bank of Chicago
As Agent

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Exhibit B	Summary of Opinion of Counsel for Borrower and Delaware Guarantors	3.01(5)
Exhibit C	Summary of Opinion of Illinois Counsel for Borrower	3.01(5)
Exhibit D	Summary of Opinion of Counsel for Agent	3.01(6)
Exhibit E	Summary of Opinion of Local Counsel for Beazer Homes Corp.	3.01(10)
Exhibit F	List of Subsidiaries of Borrower	4.10
Exhibit G	Assignment Agreement	12.03(b)
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CREDIT AGREEMENT dated as of October 22, 1996 among BEAZER HOMES USA, INC., a Delaware corporation (the "Borrower"), BEAZER MORTGAGE CORPORATION, a Delaware corporation, BEAZER HOMES CORP., a Tennessee corporation, BEAZER HOMES SALES ARIZONA INC., a Delaware corporation, BEAZER REALTY CORP., a Georgia corporation, BEAZER/SQUIRES REALTY, INC., a North Carolina corporation, PANITZ HOMES REALTY, Inc., a Florida corporation, BEAZER HOMES HOLDING CORP., a Delaware corporation, BEAZER HOMES TEXAS HOLDINGS, INC., a Delaware corporation, and BEAZER HOMES TEXAS, L.P., a Delaware limited partnership (individually an "Original Guarantor" and collectively the "Original Guarantors") and THE FIRST NATIONAL BANK OF CHICAGO ("First Chicago"), THE FIRST NATIONAL BANK OF BOSTON, BANK ONE, ARIZONA, NA, GUARANTY FEDERAL BANK, F.S.B., BANK OF AMERICA ILLINOIS, COMERICA BANK, SUNTRUST BANK and THE FIRST NATIONAL BANK OF CHICAGO as Agent for the Banks hereunder.

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

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

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

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

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

through the ownership of voting securities, by contract or otherwise.

"Agent" means The First National Bank of Chicago.

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

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

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

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

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

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

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

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

"Borrowing Base" means, with respect to an Inventory Valuation Date for which it is to be determined, an amount equal to the sum of (i) ninety percent (90%) of the unencumbered Receivables, (ii) eighty percent (80%) of the book value of unencumbered Housing Units Under Contract, (iii) seventy percent (70%) of the book value of unencumbered Speculative Housing Units, and (iv) fifty percent (50%) of the book value of unencumbered Finished Lots. The term "unencumbered" means that such asset is not subject to any Lien (except for Liens permitted under Sections 6.01(1), (2) or (6)).

"Borrowing Base Certificate" means a written certificate in a form acceptable to the Majority Banks setting

forth the amount of the Borrowing Base with respect to the fiscal quarter most recently completed, certified as true and correct by the Chief Financial Officer of the Borrower.

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

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

"Change of Control" means any of the following: (i) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower or (except for an Internal Reorganization) of a Significant Guarantor or Significant Subsidiary, as an entirety or substantially as an entirety to any Person or "group" (within the meaning of Section 13(d)(3) of the Exchange Act) in one or a series of transactions; (ii) the acquisition of fifty percent (50%) or more of the aggregate voting power of all classes of Common Equity of the Borrower or (except for an Internal Reorganization) of a Significant Guarantor or Significant Subsidiary in one transaction or a series of related transactions; (iii) the liquidation or dissolution of the Borrower or (except for an Internal Reorganization) of a Significant Guarantor or Significant Subsidiary; (iv) any transaction or a series of related transactions (as a result of a tender offer, merger, consolidation or otherwise but excluding an Internal Reorganization) that results in, or that is in connection with, (a) any Person, including, a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) acquiring "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the aggregate voting power of all classes of Common Equity of the Borrower, a Significant Guarantor or a Significant Subsidiary, or of any Person that possesses "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the aggregate voting power of all classes of Common Equity of the Borrower, a Significant Guarantor or a Significant Subsidiary, or (b) less than fifty percent (50%) (measured by the aggregate voting power of all classes) of the Common Equity of the Borrower being registered under Section 12(b) or 12(g) of the Exchange Act; (v) a majority of the Board

of Directors of the Borrower, a Significant Guarantor or a Significant Subsidiary, not being comprised of persons who (a) were members of the Board of Directors of such Borrower, Significant Guarantor or Significant Subsidiary, as of the date of this Agreement ("Original Directors"), or (b) were nominated for election or elected to the Board of Directors of such Borrower, Significant Guarantor, or Significant Subsidiary, with the affirmative vote of at least a majority of the directors who themselves were Original Directors (as defined in the Indenture) or who were similarly nominated for election or elected; or (vi) with respect to any Significant Guarantor or Significant Subsidiary which is not a corporation, any loss of the right or power to control the activities, directly, or indirectly through one or more intermediaries, or both. Nothing herein contained shall modify or otherwise affect the provisions of Section 6.06.

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

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

"Common Equity" has the meaning assigned to such term in the Indenture.

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

"Consolidated Debt" means the Debt of the Borrower and its Subsidiaries determined on a consolidated basis.

"Consolidated Tangible Assets" has the meaning assigned to such term in the Indenture.

"Consolidated Tangible Net Worth" has the meaning assigned to such term in the Indenture.

"Debt" means, without duplication, with respect to any Person (1) indebtedness or liability for borrowed money, including, without limitation, subordinated indebtedness (other than trade accounts payable and accruals incurred in the ordinary course of business); (2) obligations evidenced by bonds, debentures, notes, or other similar instruments; (3) obligations for the deferred purchase price of property (including, without limitation, seller financing of any Inventory) or services, PROVIDED, HOWEVER, that Debt shall not include obligations with respect to options to purchase real property that have not been exercised; (4) obligations as lessee under Capital Leases to the

extent that the same would, in accordance with GAAP, appear as liabilities in the Borrower's consolidated balance sheet; (5) current liabilities in respect of unfunded vested benefits under Plans and incurred withdrawal liability under any Multiemployer Plan; (6) reimbursement obligations under letters of credit (including contingent obligations with respect to letters of credit not yet drawn upon); (7) obligations under acceptance facilities; (8) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or entity, or otherwise to assure a creditor against loss, provided, however, that "Debt" shall not include guaranties of performance obligations; (9) obligations secured by any Liens on any property of such Person, whether or not the obligations have been assumed; and (10) net liabilities under interest rate swap, exchange or cap agreements. A Person's Debt shall also include, without duplication, its applicable share of the Debt of any joint venture or partnership in which it holds an interest.

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

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

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

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

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

Without limiting the effect of the foregoing, the Eurocurrency Reserve Requirement shall reflect any other reserves required to be maintained against (1) any category of liabilities that includes deposits by reference to which the LIBOR Interest Rate for LIBOR Loans is to be determined; or (2) any category of extension of credit or other assets that include LIBOR Loans.

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

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

"Existing Credit Agreement" means that certain Credit Agreement dated as of January 20, 1995, as amended, among the Borrower, certain of the Original Guarantors, First Chicago (individually and as agent), The First National Bank of Boston and Bank One, Arizona, N.A.

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

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

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

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

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

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

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

"Housing Unit Closing" means a closing of the sale of a Housing Unit by the Borrower or a Subsidiary to a BONA FIDE purchaser for value that is not an Affiliate.

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

"Indenture" means the Indenture dated as of March 2, 1994 among the Borrower, the guarantors named therein, and Continental Bank, National Association, as Trustee with respect to the 9% Senior Notes due 2004, a copy of which is annexed hereto as EXHIBIT H.

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

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

"Interest Period" means, with respect to any LIBOR Loan, the period commencing on the date such Loan is made, converted or renewed, and ending, as the Borrower may select pursuant to Section 2.03, on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, except that each such Interest Period that commences on the last

Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

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

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

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

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

"Inventory Valuation Date" means the last day of the most recent fiscal quarter of the Borrower with respect to which the Borrower is required to have delivered a Borrowing Base Certificate pursuant to Section 5.08(6) hereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Obligations" means (a) the due and punctual payment of principal of and interest on the Loans and the Notes, and (b) the due and punctual payment of fees, expenses, reimbursements, indemnifications and other present and future monetary obligations of the Borrower or any Guarantor to the Banks or to any Bank, the Agent or any indemnified party under the Loan Documents.

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

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

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

"Permitted Senior Debt" means all Debt of the Borrower and its Subsidiaries referred to in Sections 6.02(1), (2) and (8); provided, however, that, to the extent that any of the Debt referred to in Section 6.02(8) is secured by assets that would have been included in the Borrowing Base if such assets were not

encumbered, the Permitted Senior Debt shall be reduced by the lesser of (i) the amount of such secured Debt or (ii) the amount by which the Borrowing Base would have increased if such assets were not so encumbered.

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

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

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

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

"Prospectus" means the prospectus dated February 23, 1994, relating to the Senior Notes.

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

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

"Refinancing Debt" means Debt that refunds, refinances or extends any Debt ("Refinanced Debt") described in Schedule 6.02 hereto, but only to the extent that (i) the Refinancing Debt is subordinated to or PARI PASSU with the Obligations to the same extent as such Refinanced Debt, if at all, (ii) the Refinancing Debt is scheduled to mature no earlier than the earlier of (A) the current maturity date of such Refinanced Debt or (B) a date seven (7) years after the date of this Agreement, (iii) such Refinancing Debt is in an aggregate amount that is equal to or less than the sum of (A) the aggregate amount then outstanding under the Refinanced Debt, PLUS (B) accrued and unpaid interest on such Refinanced Debt, PLUS (C) reasonable fees and expenses incurred in obtaining such Refinancing Debt, it being understood

that this clause (iii) shall not preclude the Refinancing Debt from being a part of a Debt financing that includes other or additional Debt otherwise permitted herein, (iv) such Refinancing Debt is Incurred (as defined in the Indenture) by the same Person that initially Incurred such Refinanced Debt or by another Person of which the Person that initially Incurred such Refinanced Debt is a Subsidiary, and (v) such Refinancing Debt is Incurred within 60 days after such Refinanced Debt is so refunded, refinanced or extended.

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

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

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

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

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

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

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

"Senior Debt Ratings" means the publicly announced ratings by Moody's Investors Service, Inc. or Standard & Poor's Corporation (whichever rating is higher) on the Borrower's Senior Debt, changing if and when such rating(s) change. In the event

that the two ratings differ by more than one gradation, the rating one step below the higher shall apply.

"Senior Notes" means the 9% Senior Notes due 2004 of the Borrower issued in the original principal amount of \$115,000,000 pursuant to the Indenture.

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

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

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

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

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

"Swing Line Commitment" means the commitment of the Swing Line Bank to make Swing Line Loans pursuant to Section 2.21(a) hereof. The Swing Line Commitment is in the amount of \$5,000,000.

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

"Termination Date" means October 21, 1999.

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

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

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

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

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

ARTICLE II

AMOUNTS AND TERMS OF THE LOANS

SECTION 2.01. REVOLVING CREDIT. (a) Each Bank severally agrees, on the terms and conditions hereinafter set

forth, to make Loans (other than Swing Line Loans) to the Borrower from time to time during the period from the date of this Agreement up to but not including the Termination Date in an aggregate principal amount not to exceed at any time outstanding the amount set opposite such Bank's name on the signature pages of this Agreement (such Bank's obligations to make Loans (other than Swing Line Loans) in such amounts, as reduced or otherwise modified from time to time pursuant to the terms of this Agreement, being herein referred to as such Bank's "Commitment") subject to the limitations set forth in Section 2.01(b).

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

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

SECTION 2.02. REDUCTION OF AGGREGATE COMMITMENTS. The Borrower shall have the right, upon at least three (3) Business Days' prior notice to the Agent, to terminate in whole or reduce in part the unused portion of the Aggregate Commitments, provided that each partial reduction shall be in the amount of at least Five Million Dollars (\$5,000,000), and provided further that no reduction shall be permitted if, after giving effect thereto, and

to any prepayment made therewith, the outstanding and unpaid principal amount of the Loans shall exceed the Aggregate Commitments. Each reduction in part of the unused portion of each Bank's Commitment shall be made in the proportion that such Bank's Commitment bears to the total amount of the Aggregate Commitments. Any Commitment, once reduced or terminated, may not be reinstated.

SECTION 2.03. NOTICE AND MANNER OF BORROWING. The Borrower shall give the Agent notice of any Loans under this Agreement, on the Business Day of each ABR Loan, and at least three (3) Business Days before each LIBOR Loan, specifying: (1) the date of such Loan; (2) the amount of such Loan; (3) the type of Loan (whether an ABR Loan or a LIBOR Loan); and (4) in the case of a LIBOR Loan, the duration of the Interest Period applicable thereto. Each such notice shall be accompanied by a Borrowing Base Certificate dated as at the date of such notice. All notices given by the Borrower under this Section 2.03 shall be irrevocable and shall be given not later than 9:00 A.M. Chicago time on the day specified above for such notice. The Agent shall notify each Bank of each such notice (including any notice provided for in Section 2.20(d)) not later than 11:00 A.M. Chicago time on the date it receives such notice from the Borrower if such notice is received by the Agent at or before 9:00 A.M. Chicago time. In the event such notice from the Borrower is received after 9:00 A.M. Chicago time, it shall be treated as if received on the next succeeding Business Day, and the Agent shall notify each Bank of such notice as soon as practicable but not later than 11:00 A.M. Chicago time on the next succeeding Business Day. Not later than 1:00 P.M. Chicago time on the date of such Loans, each Bank will make available to the Agent in immediately available funds, such Bank's PRO RATA share of such Loans. After the Agent's receipt of such funds, on the date of such Loans and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such Loans available to the Borrower in immediately available funds by crediting the amount thereof to the Borrower's account with the Agent. The provisions of this Section 2.03 shall not apply to Swing Line Loans.

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

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

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

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

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

Senior Debt Rating	Applicable LIBOR Margin	Applicable ABR Margin	Applicable Commitment Rate
BB+/Ba1 or higher	1.25	-0-	0.300
BB/Ba2	1.50	0.125	0.350
BB-/Ba3 or B+/B1	1.75	0.375	0.375

Lower or no Senior Debt Rating	2.25	0.875	0.425
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(b) The Applicable ABR Margin and the Applicable Commitment Rate shall be adjusted, as applicable from time to time, effective on the first Business Day after any change in the Senior Debt Ratings. The Applicable LIBOR Margin in respect of any LIBOR Loan shall be adjusted, as applicable from time to time, effective on the first day of the Interest Period for such LIBOR Loan after any change in the Senior Debt Ratings.

SECTION 2.06. CONVERSIONS AND RENEWALS. The Borrower may elect from time to time to convert all or a part of one type of Loan into another type of Loan or to renew all or part of a Loan by giving the Agent notice at least one (1) Business Day before conversion into an ABR Loan, and at least three (3) Business Days before the conversion into or renewal of a LIBOR Loan, specifying: (1) the renewal or conversion date; (2) the amount of the Loan to be converted or renewed; (3) in the case of conversions, the type of Loan to be converted into; and (4) in the case of renewals of or a conversion into a LIBOR Loan, the duration of the Interest Period applicable thereto; PROVIDED that (a) the minimum principal amount of each Loan of each Bank outstanding after a renewal or conversion shall be One Million Dollars (\$1,000,000) in the case of a LIBOR Loan, and Two Hundred Fifty Thousand Dollars (\$250,000) in the case of an ABR Loan; and (b) LIBOR Loans may be converted on a Business Day that is not the last day of the Interest Period for such Loan only if the Borrower pays on the date of conversion all amounts due pursuant to Section 2.17 hereof; and (c) the Borrower may not renew a LIBOR Loan or convert an ABR Loan into a LIBOR Loan at any time that a Default has occurred that is continuing. Each such notice shall be accompanied by a Borrowing Base Certificate dated as at the date of such notice. All conversions and renewals shall be made in the proportion that each Bank's Loan bears to the total amount of all the Banks' Loans. All notices given by the Borrower under this Section 2.06 shall be irrevocable and shall be given not later than 9:00 A.M. Chicago time on the day which is not less than the number of Business Days specified above for such notice. The Agent shall notify each Bank of each such notice not later than 11:00 A.M. Chicago time on the date it receives such notice from the Borrower if such notice is received by the Agent at or before 9:00 A.M. Chicago time. In the event such notice from the Borrower is received after 9:00 A.M. Chicago time, it shall be treated as if received on the next succeeding Business Day, and the Agent shall notify each Bank of such notice as soon as practicable but not later than 11:00 A.M. Chicago time on the next succeeding Business Day. Notwithstanding the foregoing, if the Borrower shall fail to give the Agent the notice as specified above for the renewal or conversion of a LIBOR Loan prior to the end of the Interest Period with respect thereto, such LIBOR Loan shall automatically be converted into an ABR Loan on the last day of the Interest Period for such Loan.

The provisions of this Section 2.06 shall not apply to Swing Line Loans.

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

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

(ii) if a LIBOR Loan, then at a rate per annum for the Interest Period applicable to such LIBOR Loan equal to the sum of (A) the Applicable LIBOR Margin in effect on the first day of such Interest Period and (B) the LIBOR Interest Rate determined for such Interest Period.

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

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

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

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

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

(b) If the provisions of this Agreement or any Note would at any time require payment by the Borrower to a Bank of any amount of interest in excess of the maximum amount then permitted by the law applicable to any Loan, the interest payments to such Bank shall be reduced to the extent necessary so that such Bank shall not receive interest in excess of such maximum amount. If, as a result of the foregoing a Bank shall receive interest payments hereunder or under a Note in an amount less than the amount otherwise provided hereunder, such deficit (hereinafter called "Interest Deficit") will cumulate and will be carried forward (without interest) until the termination of this Agreement. Interest otherwise payable to a Bank hereunder and under a Note for any subsequent period shall be increased by the maximum amount of the Interest Deficit that may be so added without causing such Bank to receive interest in excess of the maximum amount then permitted by the law applicable to the Loans. The amount of the Interest Deficit relating to the Loans shall be treated as a prepayment premium (to the extent permitted by law) and paid in full at the time of any optional prepayment by the Borrower to the Banks of all the Loans at that time outstanding pursuant to Section 2.11 hereof. The amount of the Interest Deficit relating to the Loans at the time of any complete payment of the Loans at that time outstanding (other than an optional prepayment thereof pursuant to Section 2.11 hereof) shall be canceled and not paid.

SECTION 2.09. FEES. (a) The Borrower shall pay to the Agent upon the execution of this Agreement, for the account of each Bank, a one time, nonrefundable loan fee equal to the percentage of such Bank's Commitment provided for in the offer letters dated August 20, 1996 from First Chicago to the Banks. The Agent shall deliver to each Bank its applicable loan fee promptly upon the Agent's receipt thereof.

(b) The Borrower agrees to pay to the Agent for the account of each Bank (subject to adjustment in the case of the

Swing Line Bank as hereinafter provided) a commitment fee on the average daily unused portion of such Bank's Commitment (in an amount set forth in a statement delivered by the Agent to the Borrower, PROVIDED, HOWEVER, that the failure of the Agent to deliver such statement shall not limit or otherwise affect the obligations of the Borrower hereunder) from the date of this Agreement until the Termination Date at the Applicable Commitment Rate, payable in arrears on the first day of each January, April, July and October during the term of such Bank's Commitment, commencing January 1, 1997, and ending on the Termination Date. The commitment fees shall be calculated on the basis of a year of 365 days for the actual number of days elapsed. Upon receipt of any commitment fees, the Agent will promptly thereafter cause to be distributed such payments to the Banks in the proportion that each Bank's unused Commitment bears to the unused Aggregate Commitments (subject to adjustment in the case of the Swing Line Bank as hereinafter provided). For purposes of determining the commitment fee payable to the Swing Line Bank, the unused portion of such Bank's Commitment shall be reduced dollar-for-dollar by the amount of any Swing Line Loans then outstanding.

(c) The Borrower shall pay to the Agent and First Chicago Capital Markets, Inc. such additional fees as are specified in a separate fee letter from the Agent and First Chicago Capital Markets, Inc. to the Borrower dated August 13, 1996, accepted by the Borrower on August 15, 1996.

SECTION 2.10. NOTES. All Loans made by each Bank under this Agreement shall be evidenced by, and repaid with interest in accordance with, a single promissory note of the Borrower in substantially the form of EXHIBIT A hereto, duly completed, dated the date of this Agreement, and payable to such Bank for the account of its applicable Lending Office, such Note to represent the obligation of the Borrower to repay the Loans. Each Bank is hereby authorized by the Borrower to endorse on the schedule attached to the Note held by it the amount and type of each Loan and each renewal, conversion, and payment of principal amount received by such Bank for the account of its applicable Lending Office on account of its Loans, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of the Loans made by such Bank; PROVIDED, HOWEVER, that the failure to make such notation with respect to any Loan or renewal, conversion, or payment shall not limit or otherwise affect the obligations of the Borrower under this Agreement or the Note held by such Bank. All Loans shall be repaid on the Termination Date.

SECTION 2.11. PREPAYMENTS. (a) The Borrower may, upon at least one (1) Business Day's prior notice to the Agent in the case of ABR Loans and at least three (3) Business Days' prior notice to the Agent in the case of LIBOR Loans, prepay

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

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

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

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

SECTION 2.13. USE OF PROCEEDS. (a) The proceeds of the Loans hereunder shall be used by the Borrower for working capital and general corporate purposes of the Borrower and the Guarantors to the extent permitted in this Agreement and to repay Swing Line Loans, and the initial Loans hereunder shall be used to pay in full all outstanding principal and all accrued and unpaid interest and fees under the Existing Credit Agreement. The Borrower will not, directly or indirectly, (1) use any part of such proceeds for the purpose of repaying the Senior Notes or for purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X of such Board of Governors or (2) except as otherwise permitted in Section 2.13(b), use any part of such proceeds to pay all or any part of the purchase price or other costs of any one or more Acquisitions.

(b) The Borrower may use proceeds of the Loans to pay the purchase price or other costs of any one or more Permitted Acquisitions, provided that (1) within thirty (30) days after any such use of the proceeds, the Borrower shall deliver to the Agent a certificate of the President or the Chief Financial Officer of the Borrower, reasonably satisfactory to the Agent, certifying the amount of proceeds so used and the purposes for which such proceeds were used, and (2) in no event shall the proceeds used for such purposes exceed \$50,000,000 with respect to any single Permitted Acquisition without the prior written consent of the Majority Banks.

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

- (i) subjects any Bank or any applicable Lending Office to any tax, duty, charge or withholding on or from payments due from the Borrower (excluding federal taxation of the overall net income of any Bank or

applicable Lending Office), or changes the basis of taxation of payments to any Bank in respect of its Loans or other amounts due it hereunder, or

- (ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank or any applicable Lending Office (other than reserves and assessments taken into account in determining the interest rate applicable to LIBOR Loans), or
- (iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Office of making, funding or maintaining loans or reduces any amount receivable by any Bank or any applicable Lending Office in connection with loans, or requires any Bank or any applicable Lending Office to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Bank,

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

SECTION 2.15. CHANGES IN CAPITAL ADEQUACY REGULATIONS. If a Bank determines the amount of capital required or expected to be maintained by such Bank, any Lending Office of such Bank or any corporation controlling such Bank is increased as a result of a Change, then, within 10 days of demand by such Bank, the Borrower shall pay such Bank the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Bank determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Bank's policies as to capital adequacy); PROVIDED, HOWEVER, that a Bank shall impose such cost upon the Borrower only if such Bank is generally imposing such cost on its other borrowers having similar credit arrangements. "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Bank or any Lending Office or any corporation controlling any Bank. "Risk-Based

Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

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

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

SECTION 2.18. BANK STATEMENTS; SURVIVAL OF INDEMNITY. To the extent reasonably possible, each Bank shall designate an alternate Lending Office with respect to its LIBOR Loans to reduce any liability of the Borrower to such Bank under Sections 2.14 and 2.15 or to avoid the unavailability of LIBOR Loans. Each Bank shall deliver a written statement of such Bank as to the amount due, if any, under Sections 2.14, 2.15 or 2.17. Such written statement shall set forth in reasonable detail the calculations upon which such Bank determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a LIBOR Loan shall be calculated as though each Bank funded its LIBOR Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the LIBOR Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the

written statement shall be payable on demand after receipt by the Borrower of the written statement. The obligations of the Borrower under Sections 2.14, 2.15 and 2.17 shall survive payment of the Obligations and termination of this Agreement.

SECTION 2.19. EXTENSION OF TERMINATION DATE. (a) The Borrower may request a one-year extension of the Termination Date by submitting a request for an extension to the Agent no more than 27 months nor less than 25 months prior to the then scheduled Termination Date. At the time of or prior to the delivery of such request, the Borrower shall propose to the Agent the amount of the fees that the Borrower would agree to pay with respect to such one-year extension if approved by the Banks. Promptly upon (but not later than five Business Days after) the Agent's receipt and approval of the extension request and fee proposal (as so approved, the "Extension Request"), the Agent shall deliver to each Bank a copy of, and shall request each Bank to approve, the Extension Request. Each Bank approving the Extension Request shall deliver its written approval no later than 30 days after such Bank's receipt of the Extension Request. If the approval of each of the Banks is received by the Agent within 30 days of the receipt by them of the Extension Request (or as otherwise provided in Section 2.19(b)), the Agent shall promptly so notify the Borrower and each Bank in writing, and the Termination Date shall be extended by one year, and in such event the Borrower may thereafter request one (but not more than one) further extension of the then scheduled Termination Date in accordance with this Section 2.19. If any of the Banks does not deliver to the Agent such Bank's written approval to any Extension Request within such 30-day period, the Termination Date shall not be extended, except as otherwise provided in Section 2.19(b).

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

(c) Within ten days of the Agent's notice to the Borrower that all of the Banks have approved an Extension Request

(whether pursuant to Section 2.19(a) or 2.19(b)), the Borrower shall pay to the Agent for the account of each Bank the applicable extension fees specified in the Extension Request.

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

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

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

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

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

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.01. CONDITIONS PRECEDENT TO THE INITIAL LOAN. The obligation of each Bank to make its initial Loan to the Borrower is subject to the conditions precedent that the Agent shall have received on or before the day of such Loan each of the following, in form and substance satisfactory to the Agent

and its counsel and (except for the Notes) in sufficient copies for each Bank:

(1) NOTES. A Note payable to each Bank duly executed by the Borrower;

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

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

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

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

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

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

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

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

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

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

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

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

- (1) The following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower dated the date of such Loan, stating that:
 - (a) The representations and warranties contained in Article IV of this Agreement, are correct on and as of the date of such Loan as though made on and as of such date; and
 - (b) No Default or Event of Default has occurred and is continuing, or would result from such Loan;

- (2) The Agent shall have received such other approvals, opinions, or documents as any Bank through the Agent may reasonably request; and
- (3) Such other and further documents as any Bank or its counsel may have reasonably requested. All matters incident to the making of such Loan shall be satisfactory to the Banks and their counsel.

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

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

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

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

material agreement, lease, or instrument to which such corporation or partnership is a party or by which it or its properties may be bound or affected; (5) result in, or require, the creation or imposition of any Lien, upon or with respect to any of the properties now owned or hereafter acquired by such corporation or partnership; and (6) cause such corporation or partnership to be in default, in any material respect, under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award or any such indenture, agreement, lease or instrument.

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

SECTION 4.04. FINANCIAL STATEMENTS. The consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 1996, and the consolidated statements of operations, cash flow and changes to stockholders' equity of the Borrower and its Subsidiaries for the period of three fiscal quarters ended June 30, 1996, are complete and correct and fairly present as at such date the financial condition of the Borrower and its Subsidiaries and the results of their operations for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to year-end adjustments), and since June 30, 1996, there has been no material adverse change in the condition (financial or otherwise), business, or operations of the entities for which combined financial statements have been furnished to the Banks. There are no liabilities of the Borrower or any Subsidiary, fixed or contingent, which are material but are not reflected in the financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business since June 30, 1996. No information, exhibit, or report furnished by the Borrower to any Bank in connection with the negotiation of this Agreement taken together, contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

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

adversely affecting such business or properties or the operation of the Borrower or such Subsidiary or such Guarantor.

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

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

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

SECTION 4.09. OWNERSHIP AND LIENS. The Borrower and each Subsidiary and each Guarantor have title to, or valid leasehold interests in, all of their respective properties and assets, real and personal, including the properties and assets and leasehold interests reflected in the financial statements referred to in Section 4.04 (other than any properties or assets disposed of in the ordinary course of business), and none of the properties and assets owned by the Borrower or any Subsidiary or any Guarantor and none of their leasehold interests is subject to

any Lien, except such as may be permitted pursuant to Section 6.01 of this Agreement.

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

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

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

SECTION 4.13. TAXES. All income tax liabilities or income tax obligations of the Borrower, each Subsidiary and each Guarantor have been paid or have been accrued by or reserved for

by the Borrower. The Borrower constitutes the parent of an affiliated group of corporations for purposes of filing a consolidated United States federal income tax return.

SECTION 4.14. LAWS; ENVIRONMENT. The Borrower, each Subsidiary and each Guarantor have duly complied, and their businesses, operations, assets, equipment, property, leaseholds, or other facilities are in compliance, in all material respects, with the provisions of all federal, state, and local statutes, laws, codes, and ordinances and all rules and regulations promulgated thereunder (including without limitation those relating to the environment, health and safety). The Borrower, each Subsidiary and each Guarantor have been issued and will maintain all required federal, state, and local permits, licenses, certificates, and approvals relating to (1) air emissions; (2) discharges to surface water or groundwater; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or hazardous wastes (intended hereby and hereafter to include any and all such materials listed in any federal, state, or local law, code, or ordinance and all rules and regulations promulgated thereunder as hazardous); or (6) other environmental, health or safety matters. Neither the Borrower nor any Subsidiary nor any Guarantor has received notice of, or has actual knowledge of any violations of any federal, state, or local environmental, health, or safety laws, codes or ordinances or any rules or regulations promulgated thereunder with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities. Except in accordance with a valid governmental permit, license, certificate or approval, there has been no material emission, spill, release, or discharge into or upon (1) the air; (2) soils, or any improvements located thereon; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any toxic or hazardous substances or hazardous wastes at or from the premises; and accordingly the premises of the Borrower, each Subsidiary and each Guarantor have not been adversely affected, in any material respect, by any toxic or hazardous substances or wastes. There has been no complaint, order, directive, claim, citation, or notice by any governmental authority or any person or entity with respect to violations of law or damages by reason of Borrower's or any Subsidiary's (1) air emissions; (2) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the premises; (3) noise emissions; (4) solid or liquid waste disposal; (5) use, generation, storage, transportation, or disposal of toxic or hazardous substances or hazardous waste; or (6) other environmental, health or safety matters affecting the Borrower, any Subsidiary or any Guarantor or its business, operations,

assets, equipment, property, leaseholds, or other facilities. Neither the Borrower nor any Subsidiary nor any Guarantor has any material indebtedness, obligation, or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup, or disposal of any solid wastes, hazardous wastes, or other toxic or hazardous substances (including without limitation any such indebtedness, obligation, or liability with respect to any current regulation, law, or statute regarding such storage, treatment, cleanup, or disposal).

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

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

ARTICLE V

AFFIRMATIVE COVENANTS

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

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

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

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

SECTION 5.04. CONDUCT OF BUSINESS. Continue, and cause each Subsidiary to continue (except in the case of a Subsidiary that ceases to engage in business solely as a result

of an Internal Reorganization), to engage in a business of the same general type and in the same manner as conducted by it on the date of this Agreement.

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

SECTION 5.06. COMPLIANCE WITH LAWS. Comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, rules, regulations, and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property, other than any such taxes, assessments and charges being contested by the Borrower in good faith which will not have a material adverse effect on the financial condition of the Borrower.

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

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

(1) QUARTERLY FINANCIAL STATEMENTS. As soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of the Borrower, an unaudited condensed consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter, unaudited condensed consolidated statements of operations and cash flow of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, and unaudited condensed consolidated statements of changes in stockholders' equity of the Borrower and its Subsidiaries for the portion of the fiscal year ended with the last day of such quarter, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP consistently applied and

certified by the chief financial officer of the Borrower (subject to year-end adjustments); statements in the form of the Borrower's quarterly 10-Q report to the Securities and Exchange Commission that are consistent with the foregoing requirements shall satisfy such requirements;

(2) ANNUAL FINANCIAL STATEMENTS. As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year, consolidated statements of operations and cash flow of the Borrower and its Subsidiaries for such fiscal year, and consolidated statements of changes in stockholders' equity of the Borrower and its Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP consistently applied and accompanied by an opinion thereon acceptable to the Agent by Ernst & Young or other independent accountants selected by the Borrower and acceptable to the Agent; statements in the form of the Borrower's annual 10-K report to the Securities and Exchange Commission that are consistent with the foregoing requirements shall satisfy such requirements;

(3) FINANCIAL PROJECTIONS. On August 15, 1997 and each anniversary thereof, two-year financial projections (including a consolidated income statement, balance sheet and statement of cash flows for the Borrower and its Subsidiaries) broken down by quarters;

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

(b) Within ninety (90) days after the end of each fiscal year of the Borrower, a quarterly variance analysis comparing actual quarterly results versus projected quarterly results for the fiscal year most recently ended (including consolidated income statements of the Borrower and its Subsidiaries accompanied by an opinion thereon acceptable to the Agent by Ernst & Young or other independent accountants selected by the Borrower and acceptable to the Agent, an analysis of revenues, closings and operating profits of the Borrower and each Subsidiary on a state by state basis, and such other items as are

requested by any of the Banks), together with a written explanation of material variances.

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

(6) BORROWING BASE CERTIFICATE. Within twenty-five (25) days (or, in the case of the last quarter of the fiscal year, thirty-five (35) days) after the end of each fiscal quarter, a Borrowing Base Certificate, with respect to the Inventory Valuation Date occurring on the last day of such fiscal quarter.

(7) COMPLIANCE CERTIFICATE. Within sixty (60) days after the end of each of the first three quarters, and within ninety (90) days after the end of each fourth quarter, of each fiscal year of the Borrower, a certificate of the President or chief financial officer of the Borrower certifying (a) the Borrower's compliance with all financial covenants including, without limitation, those set forth in Sections 6.10 and 6.11 and Article VII hereof, which certificate shall set forth in reasonable detail the computation thereof and (b) certifying that to the best of his knowledge no Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto;

(8) PRODUCTION MONITOR SUMMARY. Within twenty (20) days after the end of each calendar month, a certificate of the President or Chief Operating Officer of the Borrower certifying the Inventory as at such date which lists by state of location each item of Inventory, in the following categories: (a) pre-foundation, (b) foundation, (c) framed, (d) being finished, and (e) model homes; such summary shall include a delineation of sold or unsold items in each category;

(9) LAND BANK INVENTORY. Within sixty (60) days after the end of each calendar quarter, a certificate of the President or Chief Operating Officer of the Borrower certifying the Land as at such date, which lists by state of location all Land, delineating Finished Lots, other Lots and estimated undeveloped Lots.

(10) ACCOUNTANT'S REPORT. Simultaneously with the delivery of the annual financial statements referred to in Section 5.08(2), a certificate of the independent public accountants who audited such statements to the effect that, in

making the examination necessary for the audit of such statements, they have obtained no knowledge of any condition or event which constitutes a Default or Event of Default, or if such accountants shall have obtained knowledge of any such condition or event, specifying in such certificate each such condition or event of which they have knowledge and the nature and status thereof;

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

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

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

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

(15) PROXY STATEMENTS, ETC. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements, and reports which the Borrower or any Subsidiary sends to its stockholders, and copies of all regular, periodic, and special reports, and all registration statements which the Borrower or any Subsidiary files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange; and

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

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

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

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

SECTION 5.10. ENVIRONMENT. Be and remain, and cause each Subsidiary to be and remain, in compliance with the provisions of all federal, state, and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations issued thereunder; notify the Agent promptly of any

notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party (and the Agent shall notify the Banks promptly following its receipt of any such notice from the Borrower); notify the Agent promptly of any hazardous discharge from or affecting its premises (and the Agent shall notify the Banks promptly following its receipt of any such notice from the Borrower); promptly contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith; permit any Bank to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at such Bank's request, and at the Borrower's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to the Majority Banks, and such other and further assurances reasonably satisfactory to the Majority Banks that the condition has been corrected.

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

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

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

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

SECTION 5.15. NEW SUBSIDIARIES. Within thirty (30) days after the date on which any Person shall become a Subsidiary, cause such Subsidiary to execute and deliver to the Agent, for the benefit of the Banks, a guaranty of the Obligations in the form of Article IX and an opinion of counsel, certified copies of resolutions, articles of incorporation, incumbency certificates and other documents with respect to such Subsidiary and its guaranty substantially similar to the documents delivered pursuant to Section 3.01 with respect to the Original Guarantors and Guaranty, all of which shall be reasonably satisfactory to the Majority Banks in form and substance. UHIC shall not be required to deliver a Guaranty.

ARTICLE VI

NEGATIVE COVENANTS

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

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

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

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

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

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

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

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

(7) Purchase-money Liens on any property hereafter acquired or the assumption of any Lien on property existing at the time of such acquisition (and not created in contemplation of such acquisition), or a Lien incurred in connection with any conditional sale or other title retention or a Capital Lease; provided that

- (a) Any property subject to any of the foregoing is acquired by the Borrower or any Subsidiary in the ordinary course of its respective business and the Lien on any such property attaches to such asset concurrently or within ninety (90) days after the acquisition thereof;
- (b) The obligation secured by any Lien so created, assumed, or existing shall not exceed eighty percent (80%) of the lesser of the cost or the fair market value as of the time of acquisition of the property covered thereby to the Borrower or Subsidiary acquiring the same;
- (c) Each Lien shall attach only to the property so acquired and fixed improvements thereon;

(8) Liens incurred in the ordinary course of business not otherwise permitted by this covenant, provided that the Debt secured by such Lien is permitted by the provisions of Sections 6.02(1), (5), (6) or (7); and

(9) Any Lien securing an obligation not exceeding \$500,000.

SECTION 6.02. DEBT. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Debt, except:

- (1) Debt of the Borrower and any Guarantor under this Agreement or the Notes;
- (2) Existing Debt described in Schedule 6.02 and Refinancing Debt;
- (3) Debt of the Borrower or any Guarantor subordinated on terms satisfactory to all the Banks to the Borrower's obligations under this Agreement and the Notes;
- (4) Debt of the Borrower to any Guarantor or of any Guarantor to the Borrower or another Guarantor;
- (5) Debt of UHIC to the Borrower or any Guarantor (subject to the limitations on Investments in UHIC set forth in Section 6.14);

- (6) Trade accounts payable and accruals arising or occurring in the ordinary course of business;
- (7) Debt of the Borrower or any Guarantor under letters of credit and performance bonds of the Borrower and/or any Guarantor arising in the ordinary course of business which shall not exceed in the aggregate at any one time \$75,000,000; and
- (8) Debt of the Borrower and all Guarantors not otherwise permitted by this covenant in an aggregate amount outstanding at any one time up to \$40,000,000.

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

SECTION 6.04. LEASES. Create, incur, assume, or suffer to exist, or permit any Subsidiary to create, incur, assume, or suffer to exist, any obligation as lessee for the rental or hire of any real or personal property, except (1) Capital Leases permitted by Section 6.01(8); (2) leases existing on the date of this Agreement and any extension or renewals thereof; (3) leases between the Borrower and any Subsidiary or between any Subsidiaries; (4) operating leases entered into in the ordinary course of business; and (5) any lease of property having a value of \$500,000 or less.

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

SECTION 6.06. SALE OF ASSETS. Sell, lease, assign, transfer, or otherwise dispose of, or permit any Subsidiary to sell, lease, assign, transfer, or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of subsidiaries,

receivables, and leasehold interests), except: (1) Inventory disposed of in the ordinary course of business; (2) the sale or other disposition of assets no longer used or useful in the conduct of its business; (3) the sale and leaseback of model homes, or (4) that any Subsidiary (other than UHIC) may sell, lease, assign, or otherwise transfer its assets to the Borrower or any Wholly Owned Subsidiary (other than UHIC) in connection with an Internal Reorganization or otherwise.

SECTION 6.07. INVESTMENTS. Make, or permit any Subsidiary to make, any loan or advance to any Person, or purchase or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, any capital stock, assets (other than assets acquired in the ordinary course of business), obligation, or other securities of, make any capital contribution to, or otherwise invest in or acquire any interest in any Person including, without limitation, any hostile takeover, hostile tender offer or similar hostile transaction (collectively, "Investments"), except: (1) a direct obligation of the United States or any agency thereof with maturities of one year or less from the date of acquisition; (2) commercial paper of a domestic issuer rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.; (3) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank or federal savings bank having capital and surplus in excess of \$250,000,000; (4) stock, obligation, or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any Subsidiary provided such issuance is approved by the board of directors of the issuer thereof; (5) a loan or advance from the Borrower to a Subsidiary, or from a Subsidiary to a Subsidiary, or from a Subsidiary to the Borrower (subject, however, to the limitations set forth in Section 6.14 in the case of Investments in UHIC); (6) any Permitted Acquisition; (7) an Investment in a Wholly Owned Subsidiary, which Investment is, or constitutes a part of, an Internal Reorganization (subject, however, to the limitations set forth in Section 6.14 in the case of Investments in UHIC); (8) Investments in UHIC to the extent permitted in Section 6.14; or (9) any Investment of \$500,000 or less.

SECTION 6.08. GUARANTIES, ETC. Assume, guarantee, endorse, or otherwise be or become directly or contingently responsible or liable, or permit any Subsidiary to assume, guarantee, endorse, or otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth or otherwise to assure the creditors of any Person against loss),

for obligations of any Person, except: (1) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (2) guaranties of performance obligations in the ordinary course of business; (3) guaranties of any obligation of \$500,000 or less, PROVIDED, HOWEVER, that neither the Borrower nor any Subsidiary shall guarantee an obligation of UHIC; and (4) that the Borrower or any Subsidiary or any Guarantor may, whether as a result of an Internal Reorganization or otherwise, guarantee the Debt permitted by Section 6.02 hereof of any other Subsidiary (other than UHIC) or Guarantor or of the Borrower.

SECTION 6.09. TRANSACTIONS WITH AFFILIATES. Enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, or permit any Subsidiary to enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Borrower's or such Guarantor's or any Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Guarantor or any Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate (which exception shall include the payment of insurance premiums to UHIC for the purchase of construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Subsidiaries); PROVIDED, HOWEVER, that the transactions with Affiliates described in Section 4.17(d)(v) of the Indenture, transactions involving the purchase, sale or exchange of property having a value of \$500,000 or less, and transactions otherwise permitted by this Agreement, shall not be prohibited by this Section 6.09.

SECTION 6.10. LAND INVENTORY. Permit the ratio of (i) the sum of the number of Finished Lots and the reasonably estimated number of Finished Lots that will be developed on other Land, all determined as at the end of the most recent four (4) full fiscal quarters for which financial results have been reported, to (ii) the number of Housing Unit Closings for the prior four (4) full fiscal quarters, to exceed 2.5 to 1.0.

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

SECTION 6.12. SENIOR DEBT. Repay in whole or in part the principal of the Senior Debt, except pursuant to Section 6.02(2) hereof.

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

SECTION 6.14. UHIC. Permit any of the following: (i) the assets of UHIC to exceed \$5,000,000 at any time; (ii) the aggregate amount of all Investments in UHIC by the Borrower and its Subsidiaries to exceed \$2,000,000; or (iii) UHIC to engage in any business other than the issuance of construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Subsidiaries.

ARTICLE VII

FINANCIAL COVENANTS

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

SECTION 7.01. MINIMUM CONSOLIDATED TANGIBLE NET WORTH. The Borrower will maintain at all times a Consolidated Tangible Net Worth of not less than \$150,000,000, plus an amount equal to fifty percent (50%) of the cumulative Net Income of the Borrower earned after September 30, 1996 (excluding any quarter in which there is a loss) and 100% of the net proceeds of capital stock issued by the Borrower or its Subsidiaries after June 30, 1996.

SECTION 7.02. LEVERAGE RATIO. The Borrower will maintain at all times a ratio of Consolidated Debt to Consolidated Tangible Net Worth of not greater than 2.0 to 1.0.

SECTION 7.03. INTEREST COVERAGE RATIO. The Borrower shall maintain a ratio of (i) EBITDA to (ii) interest incurred, whether capitalized or expensed directly, of at least 1.75 to 1.00, which ratio shall be determined as of the last day of each fiscal quarter for the four-quarter period ending on such day.

SECTION 7.04. PERMITTED SENIOR DEBT. The Borrower will not permit the outstanding amount of the Permitted Senior Debt to exceed the Borrowing Base.

SECTION 7.05. FIXED CHARGE COVERAGE RATIO. The Borrower shall maintain a ratio of (i) EBITDA to (ii) the sum of (A) interest incurred, whether capitalized or expensed directly, plus (B) required principal payments (other than balloon payments

on long-term Debt), (C) scheduled principal payments on Capital Lease obligations (other than balloon payments on long-term Capital Leases) and (D) dividends paid with respect to any one or more classes of preferred stock of the Borrower, of at least 1.5 to 1.0 which ratio shall be determined as of the last day of each fiscal quarter for the four-quarter period ending on such day.

SECTION 7.06. LAND INVENTORY. The Borrower shall not permit the book value of Land to exceed Consolidated Tangible Net Worth.

ARTICLE VIII

EVENTS OF DEFAULT

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

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

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

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

(4) The Borrower or any Significant Subsidiary or any Significant Guarantor shall (a) fail to pay (within the applicable cure period, if any) any amount in respect of indebtedness for borrowed money equal to or in excess of \$5,000,000 in the aggregate (other than the Notes) of the Borrower or such Significant Subsidiary or such Significant Guarantor, as the case may be, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise); or (b) fail to perform or observe any term, covenant, or condition on its part to be performed or observed (within the applicable cure period, if any) under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or

permit the acceleration of after the giving of notice or passage of time, or both, the maturity of such indebtedness, whether or not such failure to perform or observe shall be waived by the holder of such indebtedness, or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

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

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

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

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

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

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

then, and in any such event, the Agent shall at the request of, or may, with the consent of, the Majority Banks, by notice to the Borrower, (1) declare the Banks' obligation to make Loans (including, in the case of the Swing Line Bank, Swing Line Loans) to be terminated, whereupon the same shall forthwith terminate; and (2) declare the outstanding Notes, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest, and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any

kind, all of which are hereby expressly waived by the Borrower; PROVIDED, HOWEVER, in the case of an event described in Section 8.01(5) hereof the obligations of the Banks to make Loans (including, in the case of the Swing Line Bank, Swing Line Loans) hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent or any Bank.

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

ARTICLE IX

GUARANTY

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

(b) Each of the Guarantors waives presentation to, demand for payment from and protest to the Borrower or any other Guarantor of any of the Obligations, and also waives notice of protest for nonpayment. The Obligations of the Guarantors hereunder shall not be affected by (i) the failure of the Agent or any Bank to assert any claim or demand or to enforce any right or remedy against the Borrower or any other Guarantor under the provisions of this Agreement or any other agreement or otherwise; (ii) any extension or renewal of any provision hereof or thereof;

(iii) any rescission, waiver, compromise, acceleration, amendment or modification of any of the terms or provisions of any Loan Document or any other agreement; (iv) the release, exchange, waiver or foreclosure of any security held by the Agent or any Bank for the Obligations or any of them; (v) the failure of the Agent or any Bank to exercise any right or remedy against any other guarantor of the Obligations; or (vi) the release or substitution of any Guarantor.

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

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

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

SECTION 9.02. NO IMPAIRMENT OF GUARANTY. The Obligations of the Guarantors hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the Obligations of the Guarantors hereunder shall not be discharged or impaired or otherwise affected by the failure of the Agent or any Bank to

assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification of any provision thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of the Guarantors or would otherwise operate as a discharge of the Guarantors as a matter of law, unless and until the Obligations are paid in full and the Commitments have been terminated.

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

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

SECTION 9.04. LIMITATION ON GUARANTEED AMOUNT. Notwithstanding any other provision of this Article IX, the amount guaranteed by any Guarantor hereunder shall be limited to the extent, if any, required so that its obligations under this Article IX shall not be subject to avoidance under Section 548 of the Bankruptcy Code or to being set aside or annulled under any

applicable state law relating to fraud on creditors. In determining the limitations, if any, on the amount of such Guarantor's obligations hereunder pursuant to the preceding sentence, any rights of subrogation or contribution which such Guarantor may have under this Article IX or applicable law shall be taken into account.

ARTICLE X

AGENCY PROVISIONS

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

SECTION 10.02. LIABILITY OF AGENT. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement in the absence of its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Agent (1) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (2) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (3) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties, or representations made in or in connection with this Agreement; (4)

shall not have any duty to ascertain or to inquire as to the performance or observance of any terms, covenants, or conditions of this Agreement on the part of the Borrower, or to inspect the property (including the books and records) of the Borrower; (5) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, perfection, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (6) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be sent by telegram, telefax, or facsimile transmission) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

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

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

Subsidiaries (or any of their Affiliates) which may come into possession of the Agent or any of its Affiliates.

SECTION 10.05. INDEMNIFICATION. The Banks severally agree to indemnify the Agent in its capacity as Agent and not as a Bank (to the extent not reimbursed by the Borrower), ratably according to the respective amounts of their Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Bank shall be liable for any portion of any of the foregoing (i) resulting from the Agent's gross negligence or willful misconduct, (ii) on account of a strictly internal or regulatory matter relating to the Agent (such as relating to legal lending limit violation by the Agent), or (iii) in connection with a breach of an express agreement made by the Agent to a Bank under this Agreement. Without limitation of the foregoing, each Bank severally agrees to reimburse the Agent (to the extent not reimbursed by the Borrower) promptly upon demand for its ratable share of any reasonable out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, administration, or enforcement of, or legal advice in respect of rights or responsibilities under, this Agreement; provided, however, that no Bank shall be required to reimburse the Agent for any such expenses incurred (i) resulting from the Agent's gross negligence or willful misconduct, (ii) on account of a strictly internal or regulatory matter relating to the Agent (such as relating to legal lending limit violation by the Agent), or (iii) in connection with a breach of an express agreement made by the Agent to a Bank under this Agreement.

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

powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

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

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

SECTION 10.08. WITHHOLDING TAX MATTERS. Each Bank which is a Non-United States Person agrees to execute and deliver to the Agent for delivery to the Borrower, before the first scheduled payment date in each year, either (i) three United States Internal Revenue Service Forms 1001 or (ii) three United States Internal Revenue Service Forms 4224 together with three United States Internal Revenue Service Forms W-9, or any successor forms, as appropriate, properly completed and claiming complete or partial, as the case may be, exemption from withholding and deduction of United States federal taxes. Each Bank which is a Non-United States Person represents and warrants to the Borrower and to the Agent that, at the date of this Agreement, (i) its Lending Offices are entitled to receive payments of principal, interest, and fees hereunder without

deduction or withholding for or on account of any taxes imposed by the United States or any political subdivision thereof and (ii) it is permitted to take the actions described in the preceding sentence under the laws and any applicable double taxation treaties of the jurisdictions specified in the preceding sentence. Each Bank which is a Non-United States Person further agrees that, to the extent any form claiming complete or partial exemption from withholding and deduction of United States federal taxes delivered under this Section 10.08 is found to be incomplete or incorrect in any material respect, such Bank shall execute and deliver to the Agent a complete and correct replacement form.

ARTICLE XI

MISCELLANEOUS

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

SECTION 11.02. NOTICES, ETC. All notices and other communications provided for under this Agreement and under the other Loan Documents to which the Borrower is a party shall be in

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

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

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

SECTION 11.05. INTEGRATION. This Agreement (including the Borrower's obligation to pay the fees of the Agent and First Chicago Capital Markets, Inc. as provided in Section 2.09(c) and the letter referred to therein) and the Loan Documents contain the entire agreement between the parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto.

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

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

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

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

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

SECTION 11.11. SUBMISSION TO JURISDICTION. The Borrower, each Subsidiary, and each Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State

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

SECTION 11.12. JURY TRIAL WAIVER. THE BORROWER, EACH SUBSIDIARY, EACH GUARANTOR, THE AGENT, AND EACH BANK HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE LOAN DOCUMENTS. NO OFFICER OF ANY BANK OR OF THE AGENT HAS AUTHORITY TO WAIVE, CONDITION, OR MODIFY THIS PROVISION.

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

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

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

SECTION 11.16. TERMINATION OF EXISTING CREDIT AGREEMENT. The Borrower, those Guarantors that are parties to the Existing Credit Agreement and those Banks that are parties to

the Existing Credit Agreement acknowledge and agree that, upon payment, from the initial Loans hereunder, of the outstanding principal balance and all accrued and unpaid interest and fees under the Existing Credit Agreement, the Existing Credit Agreement shall terminate, and the parties thereto shall have no further rights or obligations thereunder.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

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

SECTION 12.02. PARTICIPATIONS. (A) PERMITTED PARTICIPANTS; EFFECT. Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank (which may include, in the case of the Swing Line Bank, the Swing Line Commitment) or any other interest of such Bank under the Loan Documents in an amount not less than Five Million Dollars (\$5,000,000). In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under the Loan Documents shall remain unchanged, such Bank shall remain solely responsible to the other parties hereto for the

performance of such obligations, such Bank shall remain the holder of any such Note for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Bank had not sold participating interests, and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under the Loan Documents.

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

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

SECTION 12.03. ASSIGNMENTS. (A) PERMITTED ASSIGNMENTS. Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all, or any part (but in an amount not less than Five Million Dollars (\$5,000,000) of its Commitment and Loans, which may include, in the case of a Purchaser of an interest from the Swing Line Bank, the Swing Line Commitment and Swing Line Loans), of its rights and obligations under the Loan Documents, PROVIDED, HOWEVER, that, based upon facts and circumstances existing at the time of any such assignment, such assignment does not result in an event described in Sections 2.14, 2.15, or 2.16 hereof. Such assignment shall be

substantially in the form of EXHIBIT G hereto or in such other form as may be agreed to by the parties thereto. The consent of the Borrower and the Agent shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Bank or an Affiliate thereof; PROVIDED, HOWEVER, that if an Event of Default has occurred and is continuing, the consent of the Borrower shall not be required. Such consent shall not be unreasonably withheld.

(B) EFFECT; EFFECTIVE DATE. Upon (i) delivery to the Agent of a notice of assignment, substantially in the form attached as Exhibit 1 to EXHIBIT G hereto (a "Notice of Assignment"), together with any consents required by Section 12.03; and (ii) payment (by either the assignor or the assignee) of a \$4,000.00 fee (or, in the case of an assignment to the assignor's Affiliate or by reason of the provisions of Section 2.19, a \$2,000 fee) to the Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment. The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Bank party to this Agreement and shall have all the rights and obligations of a Bank under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Banks or the Agent shall be required to release the transferor Bank with respect to the percentage of the Aggregate Commitments and Loans (and, if

applicable, Swing Line Commitments and Swing Line Loans) assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.03(b), the transferor Bank, the Agent and the Borrower shall make appropriate arrangements so that replacement Notes are issued to such transferor Bank and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their Commitment, as adjusted pursuant to such assignment.

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

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

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

BEAZER HOMES USA, INC.

By: /s/ David Weiss

Name: David S. Weiss

Title: Executive V.P

Address for Notices

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

BEAZER MORTGAGE CORPORATION

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

BEAZER HOMES CORP.

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

BEAZER HOMES SALES ARIZONA INC.

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

BEAZER REALTY CORP.

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

BEAZER/SQUIRES REALTY, INC.

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

PANITZ HOMES REALTY INC.

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

BEAZER HOMES HOLDINGS CORP.

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

BEAZER HOMES TEXAS HOLDINGS, INC.

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

BEAZER HOMES TEXAS, L.P.

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

By: /s/ David Weiss

Name: David S. Weiss

Title: Vice President

Address for Notices to all

Guarantors

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

THE FIRST NATIONAL BANK OF CHICAGO

Commitment:

\$27,500,000

By: /s/ James Benko

James Benko
Assistant Vice President

Addresses for Notices

The First National Bank of Chicago
One First National Plaza
Mail Suite 0151
Chicago, Illinois 60670
Attn: Mr. James Benko
Telephone: (312) 732-5067
Telecopy: (312) 732-1117

Lending Office for ABR Loans

The First National Bank of Chicago
One First National Plaza
Mail Suite 0318
Chicago, Illinois 60670
Attention: Mr. Michael Dowling
Telephone: (312) 732-2517
Telecopy: (312) 732-1582

Lending Office for LIBOR Loans

The First National Bank of Chicago
One First National Plaza,
Mail Suite 0318
Chicago, Illinois 60670
Attention: Mr. Michael Dowling
Telephone: (312) 732-2517
Telecopy: (312) 732-1582

THE FIRST NATIONAL BANK OF BOSTON

Commitment:

\$25,000,000

By: /s/ [illegible]

Name:

Title: Vice President

Addresses for Notices

The First National Bank of Boston
115 Perimeter Center Place, N.E.
Suite 500
Atlanta, GA 30346
Attn: Mr. Nicholas Whiting
Telephone: (770) 390-6580
Telecopier: (770) 390-8434

Lending Office for ABR Loans

The First National Bank of Boston
115 Perimeter Center Place, N.E.
Suite 500
Atlanta, GA 30346
Attn: Ms. Cheryl Geoffrion
Telephone: (770) 390-6577
Telecopy: (770) 390-8434

Lending Office for LIBOR Loans

The First National Bank of Boston
115 Perimeter Center Place, N.E.
Suite 500
Atlanta, GA 30346
Attn: Ms. Cheryl Geoffrion
Telephone: (770) 390-6577
Telecopy: (770) 390-8434

Commitment:

\$25,000,000

BANK ONE, ARIZONA, NA

By: /s/ [illegible]

Name: [illegible]

Title: Assistant Vice President

Addresses for Notices

Bank One, Arizona, NA
Western Region Real Estate
National Accounts, A383
241 N. Central
P.O. Box 29542
Phoenix, AZ 85038
Attn: Ms. Jennifer J. Pescatore
Telephone: (602) 221-2402
Telecopy: (602) 221-1372

Lending Office for ABR Loans

Bank One, Arizona, NA
Western Region Real Estate, A909
241 N. Central
Phoenix, AZ 85038
Attn: Ms. Karen Hummel
Telephone: (602) 221-1431
Telecopy: (602) 221-1116

Lending Office for LIBOR Loans

Bank One, Arizona, NA
Western Region Real Estate, A909
241 N. Central
Phoenix, AZ 85038
Attn: Ms. Karen Hummel
Telephone: (602) 221-1431
Telecopy: (602) 221-1116

Commitment:

GUARANTY FEDERAL BANK, F.S.B.

By: /s/ Randy Reid

Name: Randy Reid

Title: Vice President

Address for Notices

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

Lending Office for ABR Loans

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

Lending Office for LIBOR Loans

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

Commitment:

BANK OF AMERICA ILLINOIS

By: /s/ Mark W. Lariviere

\$17,500,000

Name: Mark W. Lariviere

Title: Vice President

Addresses for Notices

Bank of America Illinois
Commercial Real Estate Services
Group - Illinois
231 S. LaSalle Street
Chicago, IL 60697
Attn: Mr. Mark W. Lariviere
Telephone: (312) 828-2513
Telecopy: (312) 828-3950

Lending Office for ABR Loans

Bank of America Illinois
231 S. LaSalle Street
Chicago, IL 60697
Attn: George Hernandez
Telephone: (312) 828-4160
Telecopy: (312) 828-3950

Lending Office for LIBOR Loans

Bank of America Illinois
231 S. LaSalle Street
Chicago, IL 60697
Attn: George Hernandez
Telephone: (312) 828-4160
Telecopy: (312) 828-3950

COMERICA BANK

Commitment:

By: /s/ David Campbell

\$17,500,000

David J. Campbell
Vice President

Address for Notices

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

Lending Office for ABR Loans

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

Lending Office for LIBOR Loans

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

SUNTRUST BANK, ATLANTA

By: /s/ Willem Jan O. Hattink

\$17,500,000

Name: Willem Jan O. Hattink

Title: Group Vice President

By: /s/ Mike Smith

Name: Mike Smith

Title: Bank Officer

Address for Notices

SunTrust Bank, Atlanta
25 Park Place
P.O. Box 4418
Atlanta, GA 30303
Attn: Mr. R. Michael Dunlap
Telephone: (404) 724-3890
Telecopy: (404) 588-8833

Address for ABR Loans

SunTrust Bank, Atlanta
25 Park Place
P.O. Box 4418
Atlanta, GA 30303
Attn: Ms. Stephanie Creech
Telephone: (404) 581-1601
Telecopy: (404) 588-8833

Address for LIBOR Loans

SunTrust Bank, Atlanta
25 Park Place
P.O. Box 4418
Atlanta, GA 30303
Attn: Ms. Stephanie Creech
Telephone: (404) 581-1601
Telecopy: (404) 588-8833

NOTE

\$ _____

October 22, 1996

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

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement, dated as of October 22, 1996, between the Borrower, the Guarantors, the Bank and certain other banks parties thereto (which, as it may be amended, modified, renewed or extended from time to time, is herein called the "Credit Agreement"). Terms used herein which are defined in the Credit Agreement shall have their defined meanings when used herein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity of this Note upon the terms and conditions specified in the Credit Agreement.

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

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

BEAZER HOMES USA, INC.

By: _____
Name: _____
Title: _____

SCHEDULE TO NOTE

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

Exhibit B

The opinion of Paul, Hastings, Janofsky & Walker LLP, to be rendered pursuant to Section 3.01(5) of the Credit Agreement dated as of October 22 1996 (the "Credit Agreement"; any capitalized term used herein and not otherwise defined herein shall have the meaning assigned to such term in the Credit Agreement) among Beazer Homes USA, Inc., the Original Guarantors parties thereto, the banks whose names appear on the signature pages thereof and The First National Bank of Chicago, as Agent, shall be substantially to the following effect:

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

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

c) No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary for

the valid execution, delivery or performance by the Borrower and each Guarantor of the Loan Documents.

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

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

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

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

The opinion of Illinois counsel to be rendered pursuant to Section 3.01(5) of the Credit Agreement dated as of October 22, 1996 (the "Credit Agreement"; any capitalized term used herein and not otherwise defined herein shall have the meaning assigned to such term in the Credit Agreement) among Beazer Homes USA, Inc., the Guarantors parties thereto, the banks whose names appear on the signature page thereof and The First National Bank of Chicago, as Agent, shall be substantially to the following effect:

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

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

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

The First National Bank of Chicago,
as Agent
One First National Plaza
Chicago, Illinois 60670

Re: Credit Agreement dated as of October 22 1996 (the
"Credit Agreement") among Beazer Homes USA, Inc., the
Guarantors parties thereto, and each of the banks
("Banks") parties thereto

Ladies and Gentlemen:

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

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

Subject to the exceptions expressed in the preceding paragraph
and while we have not independently considered the matters covered by the
Opinions to the extent necessary to enable us to express the conclusions therein
stated, we are of the opinion that the Opinions and other documents

delivered pursuant to Article III of the Credit Agreement are substantially responsive to the requirements of said Section. In that regard, we note that such Section does not require the Opinions to address matters relating to Beazer Realty Corp., a Georgia corporation, Beazer/Squires Realty, Inc., a North Carolina corporation, or Panitz Homes Realty, Inc., a Florida corporation.

Very truly yours,

The opinion of local counsel to be rendered pursuant to Section 3.01(10) of the Credit Agreement dated as of October 22, "Credit Agreement"; any capitalized term used herein and not otherwise defined herein shall have the meaning assigned to such term in the Credit Agreement) among Beazer Homes USA, Inc., the Guarantors parties thereto, the banks whose names appear on the signature page thereof and The First National Bank of Chicago, as Agent, shall be substantially to the following effect:

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

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

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

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

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

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

Subsidiaries of Borrower

Subsidiary	State of Incorporation	Borrower's % Ownership
Beazer Mortgage Corporation	Delaware	100%
Beazer Homes Corp.	Tennessee	100%
Beazer Home Sales Arizona Inc.	Delaware	100%
Beazer Realty Corp.	Georgia	100%
Beazer/Squires Realty, Inc.	North Carolina	100%
Panitz Homes Realty, Inc.	Florida	100%
Beazer Homes Holdings Corp.	Delaware	100%
Beazer Homes Texas Holdings, Inc.	Delaware	100%
Beazer Homes Texas, L.P.	Delaware	99% (1)
United Housing Insurance Corporation	Vermont	100%

(1) The remaining 1% is held by Beazer Homes Texas Holdings, Inc.

ASSIGNMENT AGREEMENT

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

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

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

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

4. PAYMENTS, OBLIGATIONS. On and after the Effective Date, the Assignee shall be entitled to receive from

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

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

event that either party hereto receives any payment to which the other party hereto is entitled under this Assignment Agreement, then the party receiving such amount shall promptly remit it to the other party hereto.

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

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

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

Guarantor, (vi) the validity, enforceability, perfection, priority, condition, value or sufficiency of any collateral securing or purporting to secure the Loans or (vii) any mistake,

error of judgment, or action taken or omitted to be taken in connection with the Loans or the Loan Documents.

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

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

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

9. SUBSEQUENT ASSIGNMENTS. After the Effective Date, the Assignee shall have the right pursuant to Section 12.03 of the Credit Agreement to assign the rights which are assigned to the Assignee hereunder to any entity or person, provided that (i) any such subsequent assignment does not violate any of the terms or conditions of the Loan Documents or any law, rule, regulation, order, writ, judgment, injunction or decree and that

all consents required under the terms of the Loan Documents have been obtained and (ii) unless the prior written consent of the Assignor is obtained, the Assignee is not thereby released from its obligations to the Assignor hereunder, if any remain unsatisfied, including, without limitation, its obligations under Sections 4, 5 and 8 hereof.

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

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

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

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

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

[NAME OF ASSIGNOR]

By: _____

Title: _____

[NAME OF ASSIGNEE]

By: _____

Title: _____

SCHEDULE 1
to Assignment Agreement

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

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

Accepted and Agreed:

[NAME OF ASSIGNOR]

[NAME OF ASSIGNEE]

By: _____

By: _____

Title: _____

Title: _____

*Insert specific facility names per Credit Agreement

**If a Commitment has been terminated, insert outstanding Loans
in place of Commitment

***Percentage taken to 10 decimal places

Attachment to SCHEDULE 1 to ASSIGNMENT AGREEMENT

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

EXHIBIT 1
to Assignment Agreement

NOTICE
OF ASSIGNMENT

_____, 19__

To: [NAME OF BORROWER]*

[NAME OF AGENT]

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

[NAME OF ASSIGNEE] (the "Assignee")

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

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

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

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

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

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

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

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

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

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

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

NAME OF ASSIGNOR

NAME OF ASSIGNEE

By: _____

By: _____

Title: _____

Title: _____

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

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

By: _____

By: _____

Title: _____

Title: _____

[Attach photocopy of Schedule 1 to Assignment)

EXHIBIT 11

BEAZER HOMES USA, INC.
 STATEMENT COMPUTATION OF PER SHARE EARNINGS
 (Dollars in thousands, except per share amounts)

	Year ended September 30,	
	1996	1995
Primary:		
Earnings		
Net income	\$18,266	\$11,352
Less: Dividends on preferred shares (a)	4,000	611
Net income applicable to common shares	\$14,266	\$10,741
Shares		
Weighted average number of unrestricted common shares outstanding	6,374,961	8,557,669
Weighted average number of restricted common shares outstanding, net	98,809	152,684
Dilutive effect of outstanding options as determined by the application of the treasury stock method	1,397	--
Weighted average number of shares outstanding, as adjusted	6,475,167	8,710,353
Primary net income per share	\$2.20	\$1.23
Fully-diluted:		
Earnings		
Net income (b)	\$18,266	\$10,741
Shares		
Weighted average number of unrestricted common shares outstanding	6,374,961	8,557,669
Weighted average number of restricted common shares outstanding, net	98,807	152,684
Dilutive effect of outstanding options as determined by the application of the treasury stock method	1,397	--
Assumed conversion of preferred stock (a)	2,624,672	--
Weighted average number of shares outstanding, as adjusted	9,099,839	8,710,353
Net income per share assuming full dilution	\$2.01	\$1.23

(a) The Company's Series A Cumulative Convertible Exchangeable Preferred Stock (2,000,000 shares of \$50,000,000 aggregate liquidation preference, convertible into 2,624,672 shares of common stock), issued in August 1995. The assumed conversion is excluded from the September 30, 1995 calculation of fully-diluted earnings per share as the effect of such conversion is antidilutive.

(b) For the year ended September 30, 1995 represents net income applicable to common shares.

BEAZER HOMES USA

MOVING FORWARD
1996
ANNUAL REPORT

* HOMES *

BEAZER

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BUSINESS DESCRIPTION

Beazer Homes USA, Inc., headquartered in Atlanta, Georgia, is one of the nation's largest geographically diversified homebuilders. The Company currently has operations in nine states: five in the Southeast, three in the Southwest, and Texas. Beazer Homes focuses on building quality homes that provide value to entry-level and first move-up home buyers. The Company has been doing business in the United States since 1985 and has been listed on the New York Stock Exchange since 1994. Its common stock is traded under the symbol "BZH."

[Bar Charts - Inside Cover]

[Bar Charts - 1]

93	\$275.1
94	\$536.5
95	\$647.8
96	\$866.6

[Bar Charts - 2]

93	\$12.3
94	\$16.5
95	\$11.4
96	\$18.3

[Bar Charts - 3]

93	\$245.3
94	\$314.9
95	\$345.2
96	\$356.6

[Bar Charts - 4]

93	16.6%
94	15.8%
95	11.8%
96	15.5%

BEAZER HOMES USA

[Map of U.S.A]

Tennessee	20	active subdivisions
Nevada	12	active subdivisions
North Carolina	24	active subdivisions
California	24	active subdivisions
South Carolina	16	active subdivisions
Arizona	26	active subdivisions
Georgia	17	active subdivisions
Florida	22	active subdivisions
Texas	31	active subdivisions

MARKET DATA
SELECTED INFORMATION BY STATE

STATE	1996 CLOSINGS	ANNUAL INCREASE (DECREASE)	9/30/96 BACKLOG	AVERAGE PRICE OF HOMES CLOSED	MARKET POSITION AS OF 9/30/96 (i)
ARIZONA	1,852	47.6%	414	\$ 121,100	#3 in Phoenix
CALIFORNIA	1,018	21.5%	96	\$ 179,300	#2 in Sacramento #6 in Southern California
FLORIDA	405	32.4%	104	\$ 160,900	#2 in Jacksonville
GEORGIA	308	21.3%	52	\$ 141,700	#6 in Atlanta
NEVADA	473	34.8%	170	\$ 145,400	#4 in Las Vegas
NEW JERSEY	1	(50.0%)	--	\$ 185,000	Single N.J. project closed out in 1996
NORTH CAROLINA	697	16.8%	192	\$ 144,600	#2 in Charlotte #2 in Raleigh
SOUTH CAROLINA	276	22.7%	107	\$ 117,700	#2 in Charleston #6 in Columbia
TENNESSEE	526	11.7%	125	\$ 171,200	#1 in Nashville
TEXAS	379	492.2%	166	\$ 154,700	Entered Texas in 1995. Acquired Trendmaker Homes -- Dallas in June 1996.
TOTAL	5,935	36.0%	1,426	\$ 146,000	

(i) COMPANY ESTIMATE BASED UPON THE MOST RECENT MARKET DATA AVAILABLE. MARKET DATA CONSISTS OF HOMES CLOSED OR SOLD IN ALL MARKETS EXCEPT ATLANTA, WHERE MARKET DATA CONSISTS OF PERMITS ISSUED.

The Beazer Homes story has been one of managing successful growth through both upswings and downturns in the homebuilding industry. Since Beazer Homes began operations in the United States in 1985, we have grown through a combination of internal growth and expansion through acquisition.

The results have been impressive! Beazer Homes now builds in over twenty markets in nine states and is ranked the seventh largest homebuilder in the United States. We're pleased with our success -- but not satisfied.

In this Annual Report, we describe how Beazer Homes is moving forward on several key initiatives to become better, stronger and more profitable -- creating value for our home buyers, our employees and, ultimately, for the shareholders of Beazer Homes.

TOTAL REVENUE
IN
MILLIONS

INCOME
BEFORE
CHANGE IN
ACCOUNTING
PRINCIPLE
IN
MILLIONS

TOTAL ASSETS
IN
MILLIONS

RETURN
ON AVERAGE
CAPITAL

BEAZER HOMES USA FINANCIAL HIGHLIGHTS

	YEAR ENDED SEPTEMBER 30,			
(dollars in thousands, except per share data)	1996	1995	1994	1993
OPERATING DATA:				
Homes closed	5,935	4,363	3,926	2,093
STATEMENT OF OPERATIONS DATA:				
Total revenue	\$866,627	\$647,828	\$536,526	\$275,054
Earnings before interest and taxes	\$ 45,327	\$ 32,188	\$ 37,169	\$ 22,713
Income before change in accounting principle	\$ 18,266	\$ 11,352	\$ 16,468	\$ 12,270
Net income (i)	\$ 18,266	\$ 11,352	\$ 16,468	\$ 16,046
Net income per common share:				
Primary	\$ 2.20	\$ 1.23		
Fully diluted	\$ 2.01	\$ 1.23		
Pro forma net income per common share (ii)			\$ 1.76	
BALANCE SHEET DATA:				
Total assets	\$356,643	\$345,240	\$314,941	\$245,349
Total debt	\$115,000	\$115,000	\$115,000	\$119,925
Stockholders' equity	\$178,701	\$164,544	\$150,406	\$ 95,595
RETURN DATA (iii):				
Return on average assets	12.9%	9.8%	13.3%	14.6%
Return on average capital	15.8%	11.8%	15.5%	16.6%

-
- (i) Net income for the year ended September 30, 1993 includes a benefit of \$3,776 to reflect the cumulative effect of a change in accounting for income taxes for the adoption of SFAS No. 109.
- (ii) The 1994 pro forma net income per share has been calculated as if the Company's initial public offering had taken place on October 1, 1993. See Note 2 to the Company's consolidated financial statements.
- (iii) Return on average assets is defined as earnings before interest and taxes ("EBIT") divided by average total assets for the year. Return on average capital is defined as EBIT divided by average total debt plus stockholders' equity for the year.
- Note: Certain statements in this Annual Report are "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. Please refer to page 38 of this report for additional discussion.

LEFT TO RIGHT

IAN J. MCCARTHY	President and Chief Executive Officer
BRIAN C. BEAZER	Non-Executive Chairman
DAVID S. WEISS	Executive Vice President and Chief Financial Officer

LETTER TO SHAREHOLDERS

Fiscal 1996 caps a four-year period of phenomenal growth for Beazer Homes. Since 1992, home closings and revenues have both increased more than five times while net income has nearly tripled. This most recent year ended with impressive growth:

- Revenues (\$867 million) up 34%,
- Net income (\$18.3 million) up 61%,
- Earnings per share (\$2.01) up 63%.

FOCUS ON PROFITABILITY WHILE CONTINUING GROWTH

While we will continue to pursue growth, we are now moving forward to improve productivity and increase profitability. As demonstrated by our 1996 results, we have already begun to make progress -- net income increased 61% while revenues increased only 34%. Our goal for the next five years is to become one of the most profitable of the top ten homebuilders in the United States. We intend to do this while sticking to our "Formula for Success" -- a formula that focuses on decentralized operations combined with strong central financial controls.

During the coming year, we will begin to implement a number of plans to improve profitability. Before describing these plans in depth, however, we would like to review the past year's results.

A VOLATILE YEAR IN WHICH BEAZER GROWS

Much like the two years that preceded it, 1996 was a year of volatility in interest rates and in the homebuilding industry. The average commitment rate on a thirty-year mortgage, which was 7.6% as we entered fiscal 1996, declined to below 7%, then rose to over 8% by September 30, 1996 and dropped soon thereafter. These swings caused dramatic shifts in new home sales during the year, shifts that were mirrored by the trend of new home orders at Beazer Homes.

New orders rose over 100% for the first quarter of the fiscal year, but declined 16% during the last quarter. For the full year, new orders showed significant growth -- up 16%.

Throughout these swings, we stuck to our basic formula for success, allowing our operating managers to aggressively drive their local markets, while maintaining a conservative, centrally controlled financial policy. The results: revenues increased 34% while our financial position improved, with debt to total capitalization decreasing from 41% to 39%.

During the year our gross profit margin (including amortization of interest) increased from 12.7% to 13.7%. Operating profit margins increased from 2.9% to 3.5%. Growth and improved profitability were particularly evident in Arizona, Texas and Florida.

In Arizona, our decision to expand in the affordable housing segment gave rise to a dramatic 48% increase in homes closed, to over 1,850. In Texas, the expansion of our existing operations acquired in 1995, along with the acquisition of Trendmaker Homes of Dallas in June 1996, created a spectacular 492% increase in homes closed. In addition, our expansion in Florida, both through internal growth and through further acquisitions, generated a 32% increase in the number of homes closed.

Moving forward, we expect to continue to grow in Texas and Florida, while our Phoenix operation will implement a more cautious strategy. Phoenix is a market that, while we expect it to remain healthy, we believe will decline somewhat in 1997. We do not want to overextend ourselves by buying the land or putting in place an overhead structure to maintain the current level of home closings on a long-term basis in that market.

BEAZER ENDS YEAR IN STRONGEST FINANCIAL POSITION IN ITS HISTORY

While the changing interest rate environment caused fluctuations in homebuilding markets, our conservative financial policy remained constant. Throughout the year we maintained a debt to total capitalization ratio around 40% and ended the year in our strongest financial position ever as a public company. We also improved our interest coverage (EBITDA/interest incurred) to 3.3 times from 2.3 in 1995. The averages of these figures for the top fifteen public homebuilders are debt to total capitalization of over 55% and under 2.5 times interest coverage.

Finally, just after we ended our fiscal year, we increased our liquidity and financial flexibility by raising our unsecured revolving credit facility from \$80 million to \$150 million. We increased the number of banks involved, improved the pricing and negotiated a less restrictive covenant package. Our new facility includes seven banks, led by The First National Bank of Chicago.

In the current uncertain economic environment, we believe that it is particularly important for us to maintain our financial flexibility to take advantage of any opportunities that may arise; our strong capital position and increased liquidity give us that flexibility.

[Photograph - Page 3]
LOS ANGELES CA

FOCUS ON RETURNS ON ASSETS AND CAPITAL

We manage our operations to maximize return on assets and return on capital, which we believe are two of the most important gauges of profitability, combining both profit margins and asset turnover. Historically at Beazer, we have emphasized asset turnover to provide superior returns to our shareholders with less risk than if we focused on profit margins alone. Emphasizing turnover means controlling inventory, limiting the building of unsold houses and maintaining a conservative balance sheet -- all of which contribute to lower risk.

The following table shows Baezer's returns by component compared to our press:

1996 RETURN ON ASSETS (EBIT/AVERAGE TOTAL ASSETS)
AND RETURN ON CAPITAL (EBIT/AVERAGE TOTAL DEBT PLUS EQUITY)

	BEAZER HOMES	AVERAGE FOR OTHER TOP FIFTEEN PUBLIC HOMEBUILDERS (i)
Asset Turnover	2.47 x	1.33 x
x EBIT Margin	5.2%	7.2%

= Return on Assets	12.9%	9.6%

Return on Capital	15.8%	13.8%

(i) Derived from financial statements of CTX, CON, DHI, HOV, KBH, LEN, MHO, MDC, NVR, PHM, RYL, TOL, UH, WBB

Our asset turnover already ranks among the top in the industry. We are now focused on improving margins. By doing this, we believe we have an opportunity to leverage off of our rapid turnover and increase the gap between us and the rest of the homebuilding industry on return on assets and capital.

PLANS TO IMPROVE MARGINS

Our plans for improving margins include the following initiatives:

OPEN DESIGN CENTERS One thing we have learned from our successful expansion in Phoenix, is that you get more sales and achieve better profitability (even in lower price points) by letting buyers choose more options. This lesson prompted our initiative to open design centers, where buyers can choose from a wide variety of decorator options and upgrades. To date, we have opened such centers in Arizona, California, Florida, Georgia, Nevada and Tennessee. These design centers contributed to our improved profitability in 1996 and we expect to open more in 1997.

ESTABLISH MORTGAGE ORIGINATION OPERATIONS By controlling the mortgage origination process, we assist our buyers and gain a portion of the profit from the mortgage business. At the same time, we minimize our financial risk and the capital involved by originating, but not holding or servicing the mortgages. During 1996, we established Beazer Mortgage Company. Beazer Mortgage now has operations in Georgia, North Carolina and Texas and we intend to expand to all Beazer locations in calendar 1997.

STRENGTHEN PREFERRED VENDOR RELATIONSHIPS One of the advantages of Beazer's current size and national scope of operations is the ability to negotiate favorable purchasing contracts with major suppliers. Over the past few years, we have strengthened our relationship with a number of vendors using such contracts. During 1996, for example, we established an exclusive, three-year relationship with General Electric as our national supplier of appliances, achieving strong benefits for both companies along with significant savings for Beazer. In the coming year, we intend to expand these contracts and limit the number of suppliers and vendors with whom Beazer conducts business.

ENHANCE OUR COMPANY-WIDE INFORMATION SYSTEM During 1996, we embarked on an extensive review of our company-wide information system and are now in the process of implementing a new, more efficient system -- taking advantage of the latest technology available. One of the benefits of this effort is an executive information system that will give our operating managers immediate access to current information about both their own and other Beazer operations. We believe that access to information about

[Photograph - Page 4]
ATLANTA GA
DESIGN CENTER

other builders within the Beazer group is one of the key benefits that a company like Beazer provides to our decentralized network of local managers.

Later in this Annual Report, under "Adding Value to Our Operations," we describe some more of these benefits in detail.

These are just a few of the action plans that we have already begun to implement to help us achieve improved profitability. Perhaps the most important, however, are a focus on profitability throughout the organization and incentives established to encourage all of our local managers to develop additional plans to improve return on capital.

[Photograph - Page 5]
JACKSONVILLE FL

Our near-term objective is to significantly improve our operating profit margin by the fourth quarter of fiscal 1997. To achieve this objective, we need to increase the profit per home through a combination of reducing costs and increasing prices, while still enhancing value to the home buyer. We expect to make progress toward this goal over the coming year.

MOVING FORWARD

Beazer Homes is "Moving Forward" to meet the challenges of the future and improve profitability. On the following pages we will provide an overview of how we intend to:

- - Add value to our operations through sharing ideas and spreading best practices;
- - Adapt to a changing environment by encouraging our local operating managers to track local changes and react to them quickly; and
- - Take advantage of future opportunities by maintaining a strong financial position and the flexibility to act quickly and prudently on opportunities that arise.

CHALLENGES AHEAD IN 1997

While we are extremely excited about our action plans to improve profitability, we are also realistic about the challenges ahead. Increases in interest rates during 1996 have created a very competitive environment as we enter fiscal 1997. Consequently, we have focused this past year on maintaining our strong financial position, to allow us to take advantage of future opportunities, rather than on aggressively expanding our current operations. As we ended fiscal 1996, we had over 20 active subdivisions with only a few homes left. Most of these subdivisions are not expected to be immediately replaced and, as a result, we expect our active subdivision count to decline in the first quarter of fiscal 1997. This has contributed to lower levels of new orders in the fourth quarter of 1996 and a slightly lower level of backlog at September 30, 1996 than at September 30, 1995, creating a challenging environment in the first half of 1997.

Despite the challenges of this competitive environment we are optimistic about the future. We believe that our focus on improving profitability will provide us with measurable gains in the coming years. In addition, we believe that our strong financial position will allow us to react quickly to the current volatile environment and take advantage of any opportunities that may arise.

For our strong results in fiscal 1996, we wish to thank our dedicated employees, suppliers and subcontractors. They are the backbone of this organization and provide us the ability to react quickly and make sound decisions. We look forward to working with them in the coming years to create one of the most profitable of all U.S. homebuilders.

Sincerely,

/s/ BRIAN C. BEAZER
NON-EXECUTIVE CHAIRMAN

/s/ IAN J. MCCARTHY
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Beazer Homes has a proven track record for growing both existing and acquired operations. Our Georgia, North Carolina, South Carolina and Tennessee operations have all been part of Beazer Homes since 1987. Our Arizona, California and Nevada operations were acquired in 1993.

[Bar Charts - Page 6]

92	1,182	92	0
93	1,312	93	1,327
94	1,517	94	2,073
95	1,547	95	2,444
96	1,807	96	3,343
INTERNAL GROWTH HOMES CLOSED		GROWTH SINCE ACQUISITION HOMES CLOSED (1993 PRO FORMA FOR FULL YEAR)	
GEORGIA		ARIZONA	
NORTH CAROLINA		CALIFORNIA	
SOUTH CAROLINA		NEVADA	
TENNESSEE			

[Photograph - Page 6]

LEFT TO RIGHT:

PATTY ARTIST	LAS VEGAS
LAURIE MADDEN	HOUSTON
EDDIE PATE	CHARLESTON
RICHARD JACKSON	RALEIGH
MARILYN GARDNER	HOUSTON

[Photograph - Page 6]

NASHVILLE TN

JACKIE ALEXANDER SENIOR VICE PRESIDENT MARKETING AND SALES, PHILLIPS BUILDERS

After being named "National Marketing Director of the Year" for 1996 by the National Association of Homebuilders, Jackie Alexander has shared her expertise with other Beazer Homes sales and marketing managers (seen above at one of our Nashville models). This type of knowledge sharing is just one way Beazer adds value to its people and operations.

ADDING VALUE

ADDING VALUE TO OUR OPERATIONS. Sharing ideas across markets. This is one of the most critical ways we add value to our operations. By giving local managers access to ideas, they become stronger and have opportunities that others in their market do not.

- - REGIONAL AND NATIONAL KNOWLEDGE SHARING. Moving forward, the sharing of ideas will be accelerated through increased national and regional meetings of functional areas and by implementing a state-of-the-art executive information system that can be accessed by managers throughout our organization. This information system will be in place fiscal 1997.

- - ADVERTISING SYNERGY. Shared ideas come in many forms. Some are relatively small, like the sharing of printed advertisements. Advertising from one market is available to any other market if they choose to use it. In the future, this information will be available through our information network.

- - DESIGN CENTERS MEET CUSTOMER NEEDS. Some shared ideas are very broad and can revolutionize the way we do business. One such idea is the use of design centers. Beazer's first design center was opened in Phoenix as part of a strategy that allows home buyers to choose from a wide variety of options and upgrades -- to get exactly what they want and can afford. The idea of using a central design center met with such success that it was quickly adopted in Atlanta, Jacksonville, Las Vegas, Nashville and Southern California. By the end of 1997, design centers will be open in nearly all of our markets.

- - STRONG GROWTH THROUGH SHARED IDEAS. The ultimate benefits of sharing ideas can be seen in the growth of our Southeast region, a region made up mostly of operations that have been with Beazer since 1987. The three operations that made up Beazer Homes in 1987 (Atlanta, Nashville and the Carolinas) have experienced significant growth as part of the Beazer group. Without any acquisitions, these operations have grown 94.9% over the past five years and 16.8% in fiscal 1996. These operations have been sharing ideas for nearly a decade, giving them the ability to become better homebuilders and to achieve this growth.

[Photograph - Page 8]
COLUMBIA SC

The architectural plans for a number of our homes in South Carolina, including the home shown above, were adapted from efficient, affordable plans developed in Phoenix (below).

By responding to the changing needs of customers, Beazer Homes has experienced a steady increase in home closings over the past five years.

[Bar Chart - Page 8]

92	1,182
93	2,093
94	3,926
95	4,363
96	5,935

HOMES CLOSED

[Photograph - Page 8]
PHOENIX AZ

LEFT TO RIGHT:

GONZALO ROMERO Vice President Planning and Design (Southeast Region)
JOSEPH THOMPSON President, Hancock Homes (Arizona)

Joseph Thompson and local managers at Hancock Homes identified a need for high-quality, affordable housing in Phoenix. By focusing on affordability, they came up with a series of efficient plans, allowing Hancock Homes to offer 1,000 square-foot, three-bedroom houses for under \$60,000. The result -- a 50% increase in homes closed in Phoenix. Beazer managers in the Southeast region, like Gonzalo Romero, saw the success of the Phoenix plans and adapted the designs to fit the needs of their own markets. Today, we build variations on the affordable Phoenix house plans in California, Nevada, North Carolina and South Carolina.

ADAPTING TO CHANGE

ADAPTING TO A CHANGING ENVIRONMENT. The ability to identify changes in a market as they occur and to react quickly and effectively are the advantages that only a depth of local market knowledge can bring.

- - IDENTIFYING NICHE OPPORTUNITIES. In Jacksonville, adapting to a changing environment meant identifying a growing market niche that was not being adequately served. Lee Panitz, President of Panitz Homes, saw builders competing head to head in the first-time buyer segment, traditionally the market's largest segment. As Jacksonville expanded, however, the move-up segment of the market was growing. He and his team of top managers, with an average of over 18 years experience of building in Jacksonville, worked to expand their presence in that segment. Today, Panitz Homes is the second-largest builder in the tri-county Jacksonville area, measured by units, and the largest in the over \$110,000 segment.

- - EXPANSION INTO NEW MARKETS. At Phillips Builders, Nashville's number one builder, President Eddie Phillips saw the Nashville market becoming increasingly competitive in 1996 as new builders entered that strong and growing market. Rather than fight to maintain or increase market share, Eddie expanded to Knoxville, a growing city 180 miles away. Today, through our satellite expansion out of Nashville, we are the first major national builder in Knoxville and expect to build over 100 homes there in the coming year.

- - CONSISTENT GROWTH. The ability to adapt to a changing environment has given Beazer the ability to grow consistently, despite dramatic economic shifts, including changes in interest rates. Since 1992, mortgage rates have fluctuated by over 200 basis points, both up and down. Nevertheless, Beazer has grown every year since then and, overall, the number of units closed has increased more than five times.

Beazer is strategically positioned in key markets to seize growth opportunities. We are currently in eight of the eleven states with the largest projected increases in population for the period 1995 through 2000, according to the U.S. Census Bureau.

1	TEXAS	1,400,000	7.5%
2	FLORIDA	1,060,000	7.5%
3	CALIFORNIA	930,000	2.9%
4	GEORGIA	680,000	9.4%
5	NORTH CAROLINA	580,000	8.1%
6	ARIZONA	580,000	13.7%
7	WASHINGTON	430,000	7.9%
8	COLORADO	420,000	11.2%
9	TENNESSEE	400,000	7.6%
10	VIRGINIA	380,000	5.7%
11	NEVADA	340,000	22.2%

	TOTAL U.S.	11,932,000	4.3%

POPULATION GROWTH
1995 -- 2000

[Photograph - Page 10]
DALLAS TX

LEFT TO RIGHT:

DANIEL MENENDEZ Warranty Representative, Beazer Homes Texas -- Dallas Division
SUSAN LEONARD Marketing Director, Beazer Homes Texas -- Dallas Division
KURT WATZEK President, Beazer Homes Texas

In 1995, Beazer identified an opportunity to expand to a strong and growing market through the acquisition of Bramalea Homes Texas. In 1996, we increased our presence in Texas through the acquisition of Trendmaker Homes -- Dallas. Leveraging off of the experienced management, like Kurt Watzek with over 20 years of homebuilding experience in Texas, we see significant future growth opportunities in the Lone Star State.

While revenues have grown by more than 60% since our IPO in 1994, our financial position has strengthened. Debt to total capitalization is now 39% and we have just increased our liquidity by expanding our unsecured revolving credit facility from \$80 million to \$150 million.

[Bar Chart - Page 10]

DEBT TO TOTAL CAPITALIZATION

94	43%
95	41%
96	39%

OPPORTUNITIES

TAKING ADVANTAGE OF OPPORTUNITIES.

An opportunity arises. You see it before others and have the proven ability and resources to act on it. At Beazer Homes, this has been our tradition.

- - GROWTH THROUGH ACQUISITION. In 1995, we seized such an opportunity when we expanded to Texas through the acquisition, at a substantial discount to book value, of Bramalea Homes Texas. Our Texas operations grew nearly 500% in 1996, contributing 379 home closings. With this growth, we found that we were rapidly running out of land in Dallas. At the same time, we saw an opportunity to purchase Trendmaker Homes -- Dallas. Again we acted quickly and seized the opportunity. In June 1996, we purchased Trendmaker Homes for \$22 million, again at a discount to book value, and gained control of over 900 lots. With the internal growth of our Texas operations and the addition of Trendmaker Homes -- Dallas, we see excellent opportunities for further expansion in Texas in 1997.

- - FOCUS ON GROWING MARKETS. Our Texas acquisitions in 1995 and 1996 have given us a strong presence in one of the fastest-growing states in the United States. These acquisitions demonstrate how we target growth markets -- markets with strong long-term population and employment growth expectations. Currently we are in eight of the eleven markets with the largest projected population increases from 1995 to 2000 (according to the U.S. Census Bureau). We intend to maintain the flexibility to both expand in these current markets and enter other strong growth markets where we do not currently operate.

- - FINANCIALLY PREPARED FOR FUTURE OPPORTUNITIES. Two critical elements that give us this flexibility are our conservative financial policies and our liquidity. As we end fiscal 1996, our financial position is at its strongest ever -- debt to total capitalization is at an all time low and we have just increased our liquidity with a new, expanded credit facility. In the current volatile economic environment, we believe we are well prepared for whatever lies ahead and intend to take advantage of significant opportunities that are likely to arise.

DIRECTORY OF HOMEBUILDERS

BEAZER HOMES ARIZONA

Hancock Homes (Phoenix)
2005 West 14th Street, Suite 110
Tempe, AZ 85281

BEAZER HOMES CALIFORNIA

Southern California Division
Executive Tower
1100 Town and Country, Suite 100
Orange, CA 92868

Northern California Division
2260 Douglas Boulevard
Suite 110
Roseville, CA 95661

BEAZER HOMES FLORIDA

Panitz Homes (Jacksonville)
3020 Hartley Avenue
Suite 200
Jacksonville, FL 32257

Gulfcoast Homes (Ft. Myers/Naples)
11934 Fairway Lakes Drive #1
Ft. Myers, FL 33913

[Photograph]
LAS VEGAS, NV

Tampa Division
City Center Avenue
100 Second Avenue South, Suite 200
St. Petersburg, FL 33701

BEAZER HOMES GEORGIA

3790 Data Drive
Suite 2
Norcross, GA 30092

BEAZER HOMES NEVADA

Las Vegas Division
2700 Chandler
Suite 2A
Las Vegas, NV 89120

Reno/Sparks Division
4480 Scott Peak Circle
Sparks, NV 89434

BEAZER HOMES TEXAS

Houston Division
10235 West Little York
Suite 167
Houston, TX 77040

Dallas Division
1231 Greenway Drive
Suite 400
Irving, TX 75038

PHILLIPS BUILDERS

Nashville Division
2910 Kraft Drive
Nashville, TN 37204

Knoxville Division
1645 Downtown West Blvd.
Suite 45
Knoxville, TN 37922

SQUIRES HOMES

Charlotte Division
5501 Executive Center Drive
Suite 120
Charlotte, NC 28212

Raleigh Division
3701 National Drive
Suite 101
Raleigh, NC 27612

Charleston Division
7410 Northside Drive

Suite 107
North Charleston, SC 29220

Columbia Division
2001 Assembly Street
Suite 202
Columbia, SC 29201

Myrtle Beach Division
1494 Medinah Lane
Murrells Inlet, SC 29576

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1996
FINANCIAL REVIEW

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND SYSTEM OF INTERNAL CONTROLS

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 generally accepted accounting principles and, as such, include amounts based on management's best estimates and judgments.

The Company's 1996 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. Deloitte & Touche LLP's audit report included on page 24 provides an independent opinion as to the fairness of presentation of the consolidated financial statements.

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 assessed its internal controls system as of September 30, 1996 in relation to criteria for effective internal control over preparation of published annual (and interim) financial statements described in "Internal Control -- Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company believes that, as of September 30, 1996, 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 annual 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.

/s/ IAN J. MCCARTHY
President and Chief Executive Officer

/s/ DAVID S. WEISS
Executive Vice President and Chief Financial Officer

/s/ JOHN SKELTON
Senior Vice President and Controller

SELECTED FINANCIAL DATA

(dollars in thousands, except per share amounts)

	YEAR ENDED SEPTEMBER 30,				TEN MONTHS
	1996	1995	1994	1993	ENDED SEPTEMBER 30, 1992 (i)
STATEMENT OF OPERATIONS DATA:					
Total revenue	\$ 866,627	\$ 647,828	\$ 536,526	\$ 275,054	\$ 111,429
Operating income	\$ 30,122	\$ 18,629	\$ 27,377	\$ 19,959	\$ 8,081
Income before cumulative effect of change in accounting principle	\$ 18,266	\$ 11,352	\$ 16,468	\$ 12,270	\$ 6,415
Net income (ii)	\$ 18,266	\$ 11,352	\$ 16,468	\$ 16,046	\$ 6,415
Net income per common share:					
Primary	\$ 2.20	\$ 1.23			
Fully diluted	\$ 2.01	\$ 1.23			
Pro forma net income (iii)			\$ 16,226		
Pro forma net income per common share (iii)			\$ 1.76		
BALANCE SHEET DATA:					
Cash	\$ 12,942	\$ 40,407	\$ 35,980	\$ 819	\$ 469
Inventory	\$ 320,969	\$ 285,268	\$ 253,356	\$ 225,863	\$ 58,948
Total assets	\$ 356,643	\$ 345,240	\$ 314,941	\$ 245,349	\$ 65,694
Total debt	\$ 115,000	\$ 115,000	\$ 115,000	\$ 119,925	\$ 11
Stockholders' equity	\$ 178,701	\$ 164,544	\$ 150,406	\$ 95,595	\$ 58,816
SUPPLEMENTAL FINANCIAL DATA:					
EBIT (iv)	\$ 45,327	\$ 32,188	\$ 37,169	\$ 22,713	\$ 8,595
EBITDA (iv)	\$ 46,855	\$ 33,542	\$ 38,384	\$ 23,609	\$ 9,496
Interest incurred	\$ 14,176	\$ 14,737	\$ 11,306	\$ 6,553	\$ 505
EBIT/interest incurred	3.20x	2.18x	3.29x	3.47x	17.02x
EBITDA/interest incurred	3.31x	2.28x	3.40x	3.60x	18.80x
FINANCIAL STATISTICS (v):					
Total debt as a percentage of total debt and stockholders' equity	39.2%	41.1%	43.3%	55.6%	n/m
Asset turnover	2.47x	1.96x	1.92x	1.77x	n/m
EBIT margin	5.2%	5.0%	6.9%	8.3%	n/m
Return on average assets	12.9%	9.8%	13.3%	14.6%	n/m
Return on average capital	15.8%	11.8%	15.5%	16.6%	n/m
Return on average equity	10.6%	7.2%	13.4%	20.8%	n/m

(i) Represents the period from the acquisition of Beazer PLC by Hanson PLC on December 1, 1991 through September 30, 1992.

(ii) Net income for the year ended September 30, 1993 includes a benefit of \$3,776 to reflect the cumulative effect of a change in accounting for income taxes for the adoption of SFAS No. 109.

(iii) The 1994 pro forma net income per share has been calculated as if the Company's initial public offering had taken place on October 1, 1993. See Note 2 to the consolidated financial statements.

(iv) EBIT and EBITDA: EBIT (earnings before interest and taxes) equals net income before (a) previously capitalized interest amortized to costs and expenses; (b) income taxes; and (c) cumulative effect of change in accounting principle. 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. EBITDA is not intended to represent cash flows for the period nor has it been presented as an alternative to net income as an indicator of operating performance.

(v) Asset turnover = (total revenue divided by average total assets); EBIT margin = (EBIT divided by total revenues); Return on average assets = (EBIT divided by average total assets); Return on average capital = (EBIT

divided by average total debt plus stockholders equity); Return on
average equity = (Net income divided by average stockholder's equity).

n/m Not meaningful.

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

See "Notes to Consolidated Financial Statements" for definitions of certain items included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

OPERATING AND FINANCIAL DATA

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

(DOLLARS IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,					
	1996		1995		1994	1993
	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	AMOUNT

NUMBER OF NEW ORDERS,
NET OF CANCELLATIONS(i):

SOUTHEAST REGION:						
Georgia	253	(18.4)%	310	13.1%	274	301
North Carolina	671	1.5	661	21.3	545	502
South Carolina	303	30.0	233	(6.0)	248	169
Tennessee	457	(14.9)	537	28.5	418	420
Florida	364	6.4	342	41.9	241	

Total Southeast	2,048	(1.7)	2,083	20.7	1,726	1,392

SOUTHWEST REGION:						
Arizona	1,681	23.3	1,363	18.9	1,146	660
California	1,008	17.8	856	81.4	472	176
Nevada	483	9.5	441	55.3	284	235

Total Southwest	3,172	19.2	2,660	39.9	1,902	1,071

CENTRAL REGION:						
Texas	401	309.2	98	n/a		

OTHER MARKETS					48	80

Total	5,621	16.1%	4,841	31.7%	3,676	2,543

BACKLOG AT END OF PERIOD:

SOUTHEAST REGION:						
Georgia	52	(51.4)%	107	109.8%	51	68
North Carolina	192	(11.9)	218	41.6	154	161
South Carolina	107	33.8	80	11.1	72	45
Tennessee	125	(35.6)	194	51.6	128	163
Florida	104	(4.6)	109	49.3	73	

Total Southeast	580	(18.1)	708	48.1	478	437

SOUTHWEST REGION:						
Arizona	414	(9.2)	456	31.0	348	454
California	96	(9.4)	106	20.5	88	72
Nevada	170	6.3	160	128.6	70	151

Total Southwest	680	(5.8)	722	42.7	506	677

CENTRAL REGION:						
Texas	166	213.2	53	n/a		

OTHER MARKETS			1	(66.7)	3	74

Total	1,426	(3.9)%	1,484	50.4%	987	1,188

(i) NEW ORDERS FOR 1996, 1995, 1994 AND 1993 DO NOT INCLUDE 256, 19, 49 AND 376 HOMES IN BACKLOG FROM ACQUIRED OPERATIONS AT THE DATE OF THEIR ACQUISITION.

(DOLLARS IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,				1994 AMOUNT	1993 AMOUNT
	1996 AMOUNT	% CHANGE	1995 AMOUNT	% CHANGE		
SALES VALUE OF HOMES IN BACKLOG AT END OF PERIOD:						
Southeast region	\$ 98,092	(4.3)%	\$102,511	46.2%	\$ 70,129	\$ 55,765
Southwest region	86,539	(14.6)	101,346	39.3	72,754	88,290
Central region	26,006	219.8	8,133	n/m		
Other markets	0	(100.0)	173	(66.4)	515	10,577
Total	\$210,637	(0.7)%	\$212,163	48.0%	\$143,398	\$154,632
NUMBER OF CLOSINGS:						
SOUTHEAST REGION:						
Georgia	308	21.3%	254	(12.7)%	291	297
North Carolina	697	16.8	597	8.2	552	460
South Carolina	276	22.7	225	1.8	221	167
Tennessee	526	11.7	471	4.0	453	388
Florida	405	32.4	306	41.0	217	
Total Southeast	2,212	19.4	1,853	6.9	1,734	1,312
SOUTHWEST REGION:						
Arizona	1,852	47.6	1,255	0.2	1,252	441
California	1,018	21.5	838	83.8	456	195
Nevada	473	34.8	351	(3.8)	365	139
Total Southwest	3,343	36.8	2,444	17.9	2,073	775
CENTRAL REGION:						
Texas	379	492.2	64	n/a		
OTHER MARKETS						
	1	(50.0)	2	(98.3)	119	6
Total	5,935	36.0%	4,363	11.1%	3,926	2,093
REVENUES:						
Southeast region	\$332,159	24.8%	\$266,228	18.9%	\$223,967	\$153,600
Southwest region	475,662	28.4	370,369	25.8	294,467	120,601
Central region	58,621	438.5	10,886	n/a		
Other markets	185	(46.4)	345	(98.1)	18,092	853
Total	\$866,627	33.8%	\$647,828	20.7%	\$536,526	\$275,054
AVERAGE SALES PRICE PER HOME CLOSED:						
Southeast region	\$ 150.2	4.5%	\$ 143.7	11.2%	\$ 129.2	\$ 117.1
Southwest region	142.3	(6.1)	151.5	6.7	142.0	155.6
Central region	154.7	(9.1)	170.1	n/a		
Other markets	185.0	7.2	172.5	13.5	152.0	142.2
Total	\$ 146.0	(1.7)%	\$ 148.5	8.6%	\$ 136.7	\$ 131.4
NUMBER OF ACTIVE SUBDIVISIONS AT YEAR END:						
Southeast region	99	12.5%	88	7.3%	82	94
Southwest region	62	21.6	51	30.8	39	50
Central region	31	210.0	10	n/m		
Other markets					1	1
Total	192	8.9%	149	22.1%	122	145

N/A NOT APPLICABLE.

N/M NOT MEANINGFUL.

SEE "RESULTS OF OPERATIONS" FOR A DISCUSSION OF CERTAIN FLUCTUATIONS
CONSIDERED TO BE SIGNIFICANT IN BOTH ABSOLUTE VALUE AND PERCENTAGE
AMOUNT.

OVERVIEW

Beazer Homes designs, builds and sells single family homes in the Southeast, Southwest and Central regions of the United States. The Company's Southeast region includes Georgia, North Carolina, South Carolina, Tennessee and Florida, its Southwest region includes Arizona, California and Nevada, and its Central region includes Texas. The Company's other markets include a single project in New Jersey which was closed out during fiscal 1996. The Company intends, subject to market conditions, to expand in its current markets and to consider entering new markets through expansion from existing markets ("satellite expansion") or through acquisitions of established regional homebuilders.

The Company's homes are designed to appeal primarily to entry-level and first move-up home buyers, and are generally offered for sale in advance of their construction. The majority of homes are sold pursuant to standard sales contracts entered into prior to commencement of construction. Once a contract has been signed, the Company classifies the transaction as a "new order." Such sales contracts are usually subject to certain contingencies, such as the buyer's ability to qualify for financing. Homes covered by such sales contracts are considered by the Company as its "backlog." The Company does not recognize revenue on homes in backlog until the sales are closed and the risk of ownership has been transferred to the buyer.

During fiscal 1996 the Company began providing mortgage origination services for its local operations through Beazer Mortgage Company ("Beazer Mortgage"). Beazer Mortgage originates and processes mortgages on behalf of third-party investors. Beazer Mortgage does not retain or service the mortgages that it originates. The results of operations for Beazer Mortgage were not significant for the year ended September 30, 1996.

NEW ORDERS AND BACKLOG -- The Company believes the positive new order comparisons for the year ended September 30, 1996 compared to the year ended September 30, 1995 are the result of generally favorable economic conditions for much of the year (primarily declining mortgage interest rates during the first four months of the fiscal year), continued order growth in our Southwest region, and the expanded operations in Texas.

The Company has historically experienced fluctuations in new order activity in periods of significant mortgage rate changes. The Company's Arizona and California markets continued to experience strong order growth despite the increase in rates that began in January 1996 and continued for the remainder of the Company's fiscal year. The Company believes the timely acquisition of land from Del Mar Development in Phoenix (December 1995) and successful product mix in both markets contributed to the sustained growth. New order activity in the Company's Southeast region for the full year is about flat with that experienced in fiscal 1995, although new orders were up in the first and second quarters and down in the third and fourth quarters of fiscal 1996 compared to the same periods in fiscal 1995. The Company believes that these changes in new orders are principally the result of interest rate fluctuations.

The strong growth in new orders in 1995 compared to 1994 is the result of favorable economic conditions during the second half of the year, primarily reduced mortgage interest rates, and the Company's timing of opening new subdivisions. The strong backlog comparisons indicate the strength of new orders at the end of the fiscal year.

With the exception of the Reno/Sparks market, which contributed 59 new orders during fiscal 1996, recent satellite expansions did not contribute significantly to new order activity in 1996 or 1995.

Backlog levels correspond directly with the new order trends experienced by the Company. As new order levels slowed late in fiscal 1996, unit backlog levels at September 30, 1996 were slightly less than the comparable prior year date. The new order acceleration late in fiscal 1995 resulted in strong unit backlog figures at September 30, 1995 compared to the same date in 1994.

Active subdivision levels for the Company have increased in each of the last two years. As interest rates decreased and general economic conditions improved late in fiscal 1995, the Company expanded its number of active subdivisions. This internal expansion continued through the middle of fiscal 1996 and slowed as conditions warranted. While the number of active subdivisions at September 30, 1996 is above that at September 30, 1995, many of the subdivisions are nearing close-out status and the Company anticipates reporting a decrease in the number of active subdivisions early in fiscal 1997.

SEASONALITY AND QUARTERLY VARIABILITY -- The Company has historically experienced significant seasonality and quarter-to-quarter variability in homebuilding activity levels. The annual operating cycle generally reflects escalating home sales (new orders) in the Company's second and third fiscal quarters and slower sales in the Company's first and fourth fiscal quarters. Since closings usually trail home sales by four to six months, closings typically are lowest in the first quarter of the fiscal year, and revenue from home closings usually peaks in the third and fourth quarters of the fiscal year. The Company believes that this 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. This trend, however, may be altered in periods of extreme fluctuations in economic conditions, such as interest rates and general consumer confidence. For example, decreases in interest rates contributed to the increased level of new orders during the Company's third and fourth quarters of fiscal 1995 and first and second quarters of fiscal 1996.

The following table presents certain unaudited financial and operating data for the Company's last eight fiscal quarters. These historical results are not necessarily indicative of results to be expected for any future period.

	QUARTER ENDED							
	September 30, 1996	June 30, 1996	March 31, 1996	December 31, 1995	September 30, 1995	June 30, 1995	March 31, 1995	December 31, 1994
Total revenue	\$294,828	\$217,065	\$196,505	\$158,230	\$270,604	\$151,377	\$123,544	\$102,303
NUMBER OF NEW ORDERS, NET:								
Southeast	445	550	617	436	618	687	526	252
Southwest	646	837	995	694	776	935	625	324
Central	134	119	94	54	64	34		
Other markets					1		(1)	
Total	1,225	1,506	1,706	1,184	1,459	1,656	1,150	576
NUMBER OF CLOSINGS:								
Southeast	709	554	483	466	716	405	384	348
Southwest	1,044	868	836	595	1,055	570	447	372
Central	202	74	46	57	49	15		
Other markets				1				2
Total	1,955	1,496	1,365	1,119	1,820	990	831	722

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Company's operations can be affected by inflation. All costs and expenses including land, raw materials, subcontracted labor and interest would increase in an inflationary period. The Company's margins would decrease unless the increased costs are recovered through higher sales prices.

RESULTS OF OPERATIONS

The following table shows certain items in the Company's statements of income expressed as a percentage of total revenue.

	YEAR ENDED SEPTEMBER 30,		
	1996	1995	1994
Total revenue	100.0%	100.0%	100.0%
Costs of home construction and land sales	(84.5)	(85.2)	(84.0)
Amortization of previously capitalized interest	(1.7)	(2.0)	(1.8)
Selling, general and administrative expenses	(10.3)	(9.8)	(9.1)
Operating income	3.5%	3.0%	5.1%

REVENUES -- The increase in revenues for the year ended September 30, 1996 compared to the same period in 1995 is the result of a 36% increase in the number of homes closed and a 1.7% decrease in average sales price. The increase in home closings was experienced in all markets and is a result of the strong order growth early in fiscal 1996, and the expansion of the Texas operations entered initially via the acquisition of Bramalea Homes Texas ("Bramalea") in April 1995 and supplemented through the acquisition of Trendmaker Homes -- Dallas in June 1996. Gulfcoast Homes, acquired in May 1996 contributed 16 closings and \$4.6 million in revenues. The small decrease in average sales price is the result of shifting product mix in the Southeast region, an emphasis on the affordable product in the Southwest (especially in Arizona), and decreases in Texas as a result of the Company opening new, lower-priced subdivisions in Dallas.

The revenue growth in fiscal 1995 compared to 1994 is the result of an 11.1% increase in closings and an 8.6% increase in average sales price. This growth in closings is largely attributable to expansion in existing markets, the Bramalea acquisition (\$10.8 million in revenues and 64 closings) and strong order growth during the second half of fiscal 1995. Increases in average sales price are principally the result of expansion in the higher-priced home market in Tennessee and new higher-priced subdivisions in Raleigh. Offsetting the noted growth factors is the decrease in revenues because of the close-out of the Company's single New Jersey project, which contributed \$18.1 million in revenues in 1994 and \$0.3 million in 1995.

COST OF HOME CONSTRUCTION AND LAND SALES -- Cost of home construction and land sales, as a percentage of revenues, decreased for the year ended September 30, 1996 compared to 1995, but increased in 1995 compared to 1994. The decrease in 1996 is largely attributable to decreases in hard construction costs (material and labor) and an increase in deliveries from homes started subsequent to sale. Additionally, the Company's Arizona and Texas markets, which typically experience higher gross margins than the Company average, represent a greater percentage of total closings for the year. The increase in cost of home construction and land sales, as a percentage of revenues, in 1995 compared to 1994 is the result of reduced margins in Georgia and South Carolina, where

measures were taken to reduce inventory levels built up early in the year, and an increased proportion of sales from the Company's California market, which has experienced lower gross margins than the Company average.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE -- Selling, general and administrative expense increased, as a percentage of revenues, in 1996 to 10.3% from 9.8%. This increase can be attributed primarily to certain consulting and start-up costs relating to various long-term initiatives the Company began late in fiscal 1996 and one-time costs relating to employee severance arrangements for certain employees. General and administrative expenses, as a percentage of total revenues, increased to 4.2% from 3.7% during 1996, while sales and marketing expenses were unchanged at 6.1%.

Selling, general and administrative expenses increased, as a percentage of revenues, to 9.8% in 1995 from 9.1% in 1994. During the year ended September 30, 1995, as market conditions warranted, the Company expanded its number of active subdivisions and, in doing so, incurred additional marketing expense. This contrasts with 1994 when, as market conditions worsened, the Company slowed expansion into additional subdivisions. Additionally, the Company experienced some increase during 1995 over 1994, as this year represented the first full year as a public company.

AMORTIZATION OF PREVIOUSLY

CAPITALIZED INTEREST -- The decrease in interest amortized to costs and expenses as a percentage of revenues for the year ended September 30, 1996 compared to the same period in 1995 is the result of a favorable interest rate environment and accelerated inventory turnover. The increase in interest amortized to costs and expenses during 1995 as compared to 1994 is due to a combination of the higher interest incurred resulting from a full year's impact of the Senior Notes (issued in conjunction with the Initial Public Offering in March 1994) and expanded borrowings under the credit facility during the year to assist internal expansion.

INCOME TAXES -- The Company's effective income tax rate was 39.5%, 40.0 % and 39.9% for 1996, 1995 and 1994, respectively. The decrease in 1996 compared to 1995 is principally the result of various tax savings strategies implemented during 1996.

FINANCIAL CONDITION AND LIQUIDITY

In March 1994, the Company completed its initial public offering and sold six million shares of common stock followed by the issuance of 125,367 additional (overallotment) shares, providing net cash proceeds of approximately \$99 million. In addition, in March 1994, the Company also issued \$115 million of 9% Senior Notes, providing net cash proceeds of approximately \$112 million. The net proceeds were used principally to repay amounts due an Affiliate of the Company's Former Parent.

During fiscal 1995, the company repurchased the remaining shares held by an affiliate of the Former Parent and financed the repurchase with the proceeds from the issuance of the Company's Series A Convertible, Exchangeable Preferred Stock.

Prior to these offerings, the Company financed its operations from a combination of cash generated from operations and funds from the Former Parent and Affiliates.

Effective January 1995, the Company entered into the Credit Agreement with a group of banks which provides for an \$80 million unsecured, revolving line of credit. Borrowings under the Credit Agreement generally bear interest at a fluctuating rate equal to (i) the sum of a specified margin plus the higher of (x) the corporate base rate of interest announced by the Agent from time to time or (y) a specified spread above the Federal Funds Rate or (ii) the sum of a specified margin plus a rate of interest based on LIBOR.

Available borrowings under the Credit Agreement are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable as defined in the Credit Agreement. At September 30, 1996, the Company had no borrowings outstanding, and had available additional borrowings of \$74.1 million under the Credit Agreement. The Company's debt to total capitalization ratio at September 30, 1996 was 39.2%.

In October 1996, the Company entered into a \$150 million unsecured, revolving credit agreement (the "New Credit Agreement") with a group of banks to replace the above \$80 million Credit Agreement. Borrowings under the New Credit Agreement bear interest at a fluctuating rate calculated in a manner consistent with the previous facility but with lower specified margins. Interest on outstanding loans is due and payable monthly. All outstanding indebtedness under the New Credit Agreement will be due in October 1999. The New Credit Agreement contains various operating and financial covenants.

All subsidiaries of Beazer Homes USA, Inc. are guarantors of the Senior Notes and the credit agreements and are jointly and severally liable for the Company's obligations thereunder. Separate financial statements and other disclosures concerning each of the subsidiaries are not included, as the aggregate assets, liabilities, earnings and equity of the subsidiaries substantially equal such amounts for the Company on a consolidated basis and separate subsidiary financial statements are not considered material to investors. Neither the Credit Agreement nor the Senior Notes restrict distributions to Beazer Homes USA, Inc. by its subsidiaries.

In June 1996, the Company's Board of Directors approved a stock repurchase plan authorizing the repurchase of up to 10% of the Company's currently outstanding common stock. Such repurchases, if completed, would be effected at various prices from time to time in the open market. The timing of the purchases and the exact number of shares to be purchased will depend on market conditions. As of September 30, 1996, the Company had purchased 25,000 shares for an aggregate purchase price of approximately \$349,000.

The Company has utilized, and will continue to utilize, land options as a method of controlling and subsequently acquiring land. At September 30, 1996, the Company had 8,085 lots under option. At September 30, 1996, the Company had commitments with respect to option contracts with specific performance obligations of approximately \$60.9 million. The Company expects to exercise all of its option contracts with specific performance obligations and, subject to market conditions, substantially all of its options contracts without specific performance obligations.

Management believes that the Company's current borrowing capacity, cash on hand at September 30, 1996, and anticipated cash flows from operations are sufficient to meet liquidity needs for the foreseeable future. There can be no assurance, however, that amounts available in the future from the Company's sources of liquidity will be sufficient to meet the Company's future capital needs and the amount and types of indebtedness that the Company may incur may be limited by the terms of the Indenture governing the Senior Notes and the credit agreements.

During fiscal 1996 the Company utilized borrowings under the Credit Agreement of \$21.4 million for acquisitions. All such borrowings were repaid as of September 30, 1996. The Company continually evaluates expansion opportunities through acquisition of established regional homebuilders and, such opportunities may require the Company to seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financing and securities offerings.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 establishes financial accounting and reporting standards for stock-based employee compensation plans, such as stock option plans. SFAS 123 was effective for certain transactions entered into after December 15, 1995. The Company intends to adopt the expanded disclosures provisions of SFAS 123 in fiscal 1997.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheet of Beazer Homes USA, Inc. as of September 30, 1996 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of Beazer Homes USA, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company as of September 30, 1995 and for each of the two years in the period then ended were audited by other auditors whose report, dated October 27, 1995, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Beazer Homes USA, Inc. at September 30, 1996 and the consolidated results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Atlanta, Georgia
October 30, 1996

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share amounts)	YEAR ENDED SEPTEMBER 30,		
	1996	1995	1994
Total revenue	\$ 866,627	\$ 647,828	\$ 536,526
Costs and expenses:			
Home construction and land sales	732,395	552,204	450,570
Amortization of previously capitalized interest	15,134	13,268	9,768
Selling, general and administrative	88,976	63,727	48,811
	-----	-----	-----
Operating income	30,122	18,629	27,377
Other income	71	291	24
	-----	-----	-----
Income before income taxes	30,193	18,920	27,401
Provision for income taxes	11,927	7,568	10,933
	-----	-----	-----
Net income	\$ 18,266	\$ 11,352	\$ 16,468
	-----	-----	-----
Preferred dividends	\$ 4,000	\$ 611	
Net income applicable to common shareholders	\$ 14,266	\$ 10,741	
NET INCOME PER COMMON SHARE:			
Primary	\$ 2.20	\$ 1.23	
Fully diluted	\$ 2.01	\$ 1.23	
Pro forma net income			\$ 16,226
Pro forma net income per common share			\$ 1.76
WEIGHTED AVERAGE NUMBER OF SHARES:			
Primary	6,475,167	8,716,965	9,220,367
Fully diluted	9,099,839	8,716,965	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SEPTEMBER 30,	
	1996	1995
ASSETS:		
Cash and cash equivalents	\$ 12,942	\$ 40,407
Accounts receivable	6,473	2,842
Inventory	320,969	285,268
Deferred tax asset	1,645	2,086
Property, plant and equipment, net	2,823	1,323
Goodwill, net	6,204	6,745
Other assets	5,587	6,569
	-----	-----
Total assets	\$ 356,643	\$ 345,240
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Trade accounts payable	\$ 31,431	\$ 40,111
Other liabilities	31,511	25,585
Senior Notes	115,000	115,000
	-----	-----
Total liabilities	177,942	180,696
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred stock (par value \$.01 per share, 5,000,000 shares authorized, 2,000,000 issued and outstanding, \$50,000 aggregate liquidation preference)	20	20
Common stock (par value \$.01 per share, 30,000,000 shares authorized, 9,305,200 and 9,297,117 issued, 6,530,933 and 6,547,850 outstanding)	93	93
Paid-in-capital	187,477	187,698
Retained earnings	37,613	23,347
Unearned restricted stock	(1,446)	(1,907)
Treasury stock, at cost (2,774,267 and 2,749,267 shares)	(45,056)	(44,707)
	-----	-----
Total stockholders' equity	178,701	164,544
	-----	-----
Total liabilities and stockholders' equity	\$ 356,643	\$ 345,240
	-----	-----

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS)

	INVESTED CAPITAL	PREFERRED STOCK	COMMON STOCK	PAID-IN- CAPITAL	RETAINED EARNINGS	UNEARNED RESTRICTED STOCK	TREASURY STOCK	TOTAL
Balance, September 30, 1993	\$ 95,595							\$ 95,595
Dividend to Former Parent	(7,400)							(7,400)
Net cash transfers from Former Parent	269							269
Net income prior to Initial Public Offering	4,195							4,195
Formation of Beazer Homes USA, Inc. (1 share)								
Return of invested capital to Former Parent	(53,238)							(53,238)
Exchange of common stock of BHI and BHH for common stock of the Company (2,999,999 shares)	(39,421)		\$ 30	\$ 39,391				
Public offering of Common Stock (6,125,367 shares)			61	98,501				98,562
Issuance of restricted stock (95,000 shares)			1	1,662		\$ (1,663)		
Remeasurement of unearned restricted stock				(273)		273		
Amortization of unearned restricted stock						150		150
Net income since Initial Public Offering					\$ 12,273			12,273
BALANCE, SEPTEMBER 30, 1994	\$ --		92	139,281	12,273	(1,240)		150,406
Purchase of treasury stock (2,749,267 shares)							\$ (44,707)	(44,707)
Issuance of preferred stock (2,000,000 shares)		\$ 20		47,386				47,406
Issuance of restricted stock (103,000 shares)			1	1,184		(1,185)		
Cancellation of restricted stock (26,250 shares)				(340)		340		
Remeasurement of unearned restricted stock				187		(187)		
Amortization of unearned restricted stock						365		365
Preferred stock dividends paid					(278)			(278)
Net income					11,352			11,352
BALANCE, SEPTEMBER 30, 1995		20	93	187,698	23,347	(1,907)	(44,707)	164,544
Purchase of treasury stock (25,000 shares)							(349)	(349)
Issuance of restricted stock (46,500 shares)				482		(482)		
Cancellation of restricted stock (38,417 shares)				(458)		458		
Remeasurement of unearned restricted stock				(228)		228		
Amortization of unearned restricted stock						257		257
Preferred stock dividends paid					(4,000)			(4,000)
Other				(17)				(17)
Net income					18,266			18,266

BALANCE, SEPTEMBER 30, 1996	\$ 20	\$ 93	\$187,477	\$ 37,613	\$ (1,446)	\$ (45,056)	\$178,701
	-----	-----	-----	-----	-----	-----	-----
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SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,		
	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 18,266	\$ 11,352	\$ 16,468
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and amortization	1,528	1,354	1,215
Provision for deferred income taxes	588	1,111	1,709
CHANGES IN OPERATING ASSETS AND LIABILITIES, NET OF EFFECTS FROM ACQUISITIONS:			
Increase in inventory	(11,603)	(28,674)	(25,677)
(Decrease) increase in trade accounts payable	(9,024)	9,409	14,143
Other changes	352	11,650	(2,772)
Net cash provided by operating activities	107	6,202	5,086
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,866)	(540)	(473)
Acquisitions, net of cash acquired	(21,357)	(3,656)	(3,168)
Net cash used by investing activities	(23,223)	(4,196)	(3,641)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash transfers from Affiliate			270
Proceeds from common stock issuance			98,562
Proceeds from Senior Notes issuance			111,500
Proceeds from preferred stock issuance		47,406	
Repayment of invested capital			(53,238)
Repayment of notes payable to Affiliate			(115,978)
Payment of dividend to Affiliate			(7,400)
Proceeds from short-term debt	169,500	99,500	59,900
Repayments of short-term debt	(169,500)	(99,500)	(59,900)
Preferred stock dividends	(4,000)	(278)	
Treasury stock purchased	(349)	(44,707)	
Net cash (used) provided by financing activities	(4,349)	2,421	33,716
(Decrease) increase in cash and cash equivalents	(27,465)	4,427	35,161
Cash and cash equivalents at beginning of year	40,407	35,980	819
Cash and cash equivalents at end of year	\$ 12,942	\$ 40,407	\$ 35,980
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ 13,885	\$ 14,023	\$ 14,193
Income taxes paid	\$ 11,581	\$ 2,857	\$ 6,515

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

1 | FORMATION AND ORGANIZATION OF BEAZER HOMES USA, INC.

Beazer Homes USA, Inc. ("Beazer" or the "Company") designs, constructs, markets and sells single family homes in Arizona, California, Florida, Georgia, Nevada, North Carolina, South Carolina, Tennessee and Texas.

Beazer was formed in November 1993 by Hanson Properties North America, Inc. (the "Former Parent") in contemplation of the planned initial public offering of common stock and issuance of Senior Notes (together, the "Initial Public Offering") of the homebuilding operations of Beazer Homes, Inc. ("BHI") and Beazer Homes Holdings, Inc. ("BHH"). The Former Parent was an indirect wholly owned subsidiary of Hanson PLC ("Hanson"), a company registered in the United Kingdom. Effective February 24, 1994, the Former Parent contributed all of the issued and outstanding shares of BHI and BHH to the Company in exchange for 2,999,999 shares of the Company's common stock. In March 1994, the Company completed the Initial Public Offering. As a result of the Initial Public Offering, the Former Parent's ownership interest in the Company was reduced to approximately 30% and the Company was no longer a subsidiary of the Former Parent.

In accordance with the requirements of Accounting Principles Board Opinion No. 16, "Business Combinations" ("APB 16"), the exchange of the common stock of the Company for the common stock of BHI and BHH was accounted for in a manner similar to a pooling of interests, and the assets and liabilities of the entities in the combination were carried forward at their historical values. Financial statements for periods prior to the combination have been combined on this basis.

In June 1995, the Former Parent transferred its investment (2,749,267 shares) in the Company's common stock to USI Properties, Inc. ("USI"), a subsidiary of US Industries, Inc. Also in June 1995, the Company and USI entered into a stock purchase agreement pursuant to which the Company purchased from USI 1,000,000 shares of the Company's common stock for \$16.0 million and the Company entered into an option agreement with USI (the "Option") to acquire the remaining 1,749,267 shares of the Company's common stock held by USI. Cash consideration of \$500,000 was paid for the Option. In August 1995, pursuant to its exercise of the Option, the Company repurchased the remaining 1,749,267 shares held by USI for \$28.2 million. The repurchased shares are reflected in the accompanying consolidated financial statements as treasury stock.

Wholly owned subsidiaries of Hanson (other than the Former Parent) are hereinafter referred to as "Affiliates" for the periods prior to the Initial Public Offering.

2 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CASH AND CASH EQUIVALENTS -- The Company considers cash investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents as of September 30, 1996 and 1995 includes \$1.4 million and \$6.0 million, respectively, of cash held in escrow for periods of up to three days.

INVENTORY -- Inventory consists of residential real estate developments, including interest, real estate taxes and development costs capitalized to land and construction costs during the development and construction period.

NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During fiscal 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"). SFAS No. 121 requires that long-lived assets, such as real estate inventories, goodwill, and property, plant and equipment be reviewed for impairment. The adoption of SFAS 121 had no impact on the Company's fiscal 1996 financial statements.

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

Buildings	15 years
Machinery and equipment	3 - 12 years
Furniture and fixtures	3 - 5 years

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 will be in effect when the differences are expected to reverse.

Prior to the Initial Public Offering, the Company's results were included in the consolidated federal income tax return filed by its ultimate U.S. parent company, HM Anglo-American, Ltd. Pursuant to informal tax allocation agreements, the Company provided for federal income taxes on a stand-alone separate company basis.

INCOME RECOGNITION AND CLASSIFICATION OF COSTS -- Income from the sale of land and residential units 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.

GOODWILL -- Goodwill represents the excess of the purchase price over the fair value of assets acquired and is being amortized over a 15-year period. Amortization expense was \$541,000, \$538,000 and \$528,000 for the years ended September 30, 1996, 1995 and 1994, respectively. Accumulated amortization was \$1,908,000 and \$1,367,000 at September 30, 1996 and 1995, respectively. In the event that facts and circumstances indicate that the carrying value of goodwill may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to fair value is required.

FAIR VALUE OF FINANCIAL INSTRUMENTS -- For short-term financial instruments, the historical carrying amount is a reasonable estimate of fair value. The fair value of the Company's Senior Notes at September 30, 1996 and 1995 is approximately \$104 million and \$105 million, respectively, based upon quoted market prices.

EARNINGS PER SHARE -- The computation of primary earnings per Common Share and common equivalent share for periods subsequent to the Company's Initial Public Offering is based upon the weighted average number of Common Shares outstanding during the period plus (in periods in which they have a dilutive effect) the effect of Common Shares contingently issuable, primarily from stock options. Common share equivalents are computed using the treasury stock method.

Fully diluted earnings per share further assumes the conversion of 2,000,000 shares of Series A Cumulative Convertible Exchangeable Preferred Stock issued in August 1995 (see Note 12) into 2,624,672 shares of common stock.

Pro forma net income per share for the year ended September 30, 1994 is comprised of pro forma net income per share for the period October 1, 1993 through March 2, 1994 (\$.43 per share) and historical net income per share for the remainder of the year (\$1.33 per share). Pro Forma net income per share from October 1, 1993 through March 2, 1994 was calculated as if the Initial Public Offering was consummated on October 1, 1993, the other changes in the capital structure discussed in the second paragraph of Note 1 occurred on such date, and the Company incurred certain additional general and administrative costs as a result of being a publicly owned company.

WARRANTY COSTS -- 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 range from 0.5% to 1.0% of total revenue and, based upon experience, have been sufficient to cover costs incurred.

OTHER LIABILITIES -- Other liabilities include home buyer deposits, land purchase obligations, accrued compensation and various other accrued expenses.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles 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 October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 establishes financial accounting and reporting standards for stock-based employee compensation plans, such as stock option plans. SFAS 123 was effective for certain transactions entered into after December 15, 1995. The Company intends to adopt the expanded disclosures provisions of SFAS 123 in fiscal 1997.

3 | ACQUISITIONS

Since October 1, 1993, the Company has acquired substantially all of the assets or all of the outstanding capital stock of each of the following businesses:

COMPANY ACQUIRED	CONSIDERATION (IN THOUSANDS)	ACQUISITION DATE
Trendmaker Homes -- Dallas	\$ 22,000	June 1996
Gulfcoast Homes	3,200	May 1996
Bramalea Homes Texas, Inc.	3,100	April 1995
Bauer and Barone, Inc.	200	October 1994
Panitz & Company, Chartered	3,200	October 1993

Consideration includes cash paid plus certain borrowings assumed and repaid immediately subsequent to the acquisitions. Other liabilities assumed were not significant. These acquisitions have been recorded using the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and the liabilities assumed, based on their estimated fair values as of the respective date of acquisition. The operating results of the acquired businesses are included in the Company's consolidated statements of income from their respective dates of acquisition. The pro forma effect on the Company's operating results of acquired businesses prior to their acquisition date would not be significant.

4 | RELATED PARTY TRANSACTIONS

Prior to the Initial Public Offering, cash accounts for the Company were controlled on a centralized basis by the Former Parent and Affiliates and, accordingly, cash receipts and disbursements were received or made through the Former Parent and Affiliates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior to August 1, 1994, the Former Parent administered two 401(k) Retirement Plans (the "Plans") for the employees of the Company (see Note 13). The Company made discretionary contributions under the Plans of \$392,000 for the ten months ended July 31, 1994.

Prior to the Initial Public Offering, operations and acquisitions were funded by the Former Parent. Interest incurred related to promissory notes to the Former Parent totaled \$3.9 million for the year ended September 30, 1994. As of the date of the Initial Public Offering, these notes and all accrued interest thereon were repaid in full.

5 | INVENTORY

Inventory at September 30 includes:

(in thousands)	1996	1995
Finished homes	\$ 64,709	\$ 52,464
Development projects in progress	197,984	196,500
Unimproved land held for future development	34,040	21,315
Model homes	24,236	14,989
	-----	-----
	\$320,969	\$285,268
	-----	-----

Development projects in progress consist principally of land, land improvement costs and, if applicable, construction costs for houses which are in various stages of development but not ready for sale. Certain of the finished homes in inventory are reserved by a deposit or sales contract.

Inventory located in California, the state with the Company's largest concentration of inventory, was \$72.5 million and \$110.2 million at September 30, 1996 and 1995, respectively. Such inventory at September 30, 1996 includes three projects with approximately \$22 million of unimproved land held for future development. Given their longer term nature, the Company intends to continually monitor changes in circumstances related to these projects. If, based upon future economic circumstances and the costs of developing these properties (including any future capitalized interest), the book value of the properties exceeds their undiscounted cash flows (excluding interest), a write-down to fair value would be required.

The Company acquires 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 without specific performance obligations, the Company's liability is generally limited to forfeiture of the nonrefundable deposits, which aggregated approximately \$10.3 million and \$9.2 million at September 30, 1996 and 1995, respectively, and is included in development projects in process. Under option contracts, both with and without specific performance, purchase of the properties is contingent upon satisfaction of certain requirements by the Company and the sellers. Below is a summary of amounts committed under all options:

(in thousands)	AGGREGATE PURCHASE PRICE AS OF SEPTEMBER 30, 1996
Options with specific performance	\$ 60,853
Options without specific performance	131,123

Total options	\$191,976

6 | INTEREST

Information regarding interest is as follows:

(in thousands)	YEAR ENDED SEPTEMBER 30,		
	1996	1995	1994
DURING THE PERIOD:			
Interest incurred	\$14,176	\$14,737	\$11,306
Interest capitalized	(14,176)	(14,737)	(11,306)
Previously capitalized interest amortized to cost of sales	15,134	13,268	9,768
	-----	-----	-----
Total interest expensed in statement of operations	\$15,134	\$13,268	\$ 9,768
	-----	-----	-----
AT THE END OF THE PERIOD:			
Capitalized interest in ending inventory	\$ 5,553	\$ 6,511	\$ 5,042

7 | PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

(in thousands) Year Ended September 30,

	1996	1995
Land and buildings	\$ 998	\$ 633
Leasehold improvements	378	272
Machinery and equipment	2,547	2,223
Furniture and fixtures	3,074	3,244
	-----	-----
	6,997	6,372
Less accumulated depreciation	4,174	5,049
	-----	-----
Total	\$ 2,823	\$ 1,323
	-----	-----

8 | CREDIT AGREEMENT

In January 1995, the Company entered into a credit agreement (the "Credit Agreement") for an \$80 million unsecured revolving line of credit with a group of banks. The Credit Agreement replaced a previous \$40 million facility. Borrowings under the Credit Agreement generally bear interest at a fluctuating rate equal to (i) the sum of a specified margin plus the higher of (x) the corporate base rate of interest announced by the lead bank (the "Agent") from time to time or (y) a specified spread above the Federal Funds Rate or (ii) the sum of a specified margin plus a rate of interest based on LIBOR. All outstanding indebtedness under the Credit Agreement would be due in full in January 1998. The Credit Agreement contains various operating and financial covenants. Each of the Company's subsidiaries is a guarantor under the Credit Agreement.

Available borrowings under the Credit Agreement are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable as defined in the Credit Agreement. At September 30, 1996, the Company had no borrowings outstanding, and had available additional borrowings of \$74.1 million under the Credit Agreement.

On October 22, 1996, the Company entered into a \$150 million unsecured, revolving credit agreement (the "New Credit Agreement") with a group of banks to replace the previous \$80 million credit agreement. Borrowings under the New Credit Agreement will bear interest at a fluctuating rate calculated in a manner consistent with the previous facility but with lower specified margins and spreads. Interest on outstanding loans is payable monthly. All outstanding indebtedness under the New Credit Agreement will be due in October 1999. The New Credit Agreement contains various operating and financial covenants. Each of the Company's subsidiaries is a guarantor under the New Credit Agreement.

9 | SENIOR NOTES

In March 1994, the Company issued the Senior Notes under an Indenture (the "Senior Note Indenture") among the Company, each of the Company's subsidiaries, as guarantors, and Continental Bank, National Association, as trustee.

The Senior Notes mature ten years from the date of issuance. Interest on the Senior Notes is payable semiannually, at the rate of 9% per annum. The Company may, at its option, redeem the Senior Notes in whole or in part at any time on or after March 1, 1999, initially at 102.571% of the principal amount thereof, declining to 100% of the principal amount thereof on or after March 1, 2001, in each case together with accrued interest. The Senior Notes are unsecured and rank pari passu (except as to collateral) with, or senior in right of payment to, all other existing and future senior indebtedness of the Company. The Senior Notes are guaranteed, jointly and severally, on a senior unsecured basis by all of the subsidiaries of the Company.

The Senior Note Indenture contains certain restrictive covenants, including limitations on payment of dividends. At September 30, 1996, under the most restrictive covenants, approximately \$34 million of the Company's retained earnings was available for payment of cash dividends and for the acquisition by the Company of its common stock. In addition, the Senior Note Indenture provides that, in the event of defined

changes in control, or if the consolidated tangible net worth of the Company and its subsidiaries falls below a specified level, or, in certain circumstances, upon sales of assets, the Company is required to make an 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,		
	1996	1995	1994
	-----	-----	-----
CURRENT:			
Federal	\$ 9,579	\$ 5,231	\$ 7,443
State	1,760	1,226	1,781
DEFERRED:	588	1,111	1,709
	-----	-----	-----
Total	\$11,927	\$ 7,568	\$10,933
	-----	-----	-----

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,		
	1996	1995	1994
	-----	-----	-----
Income tax computed at statutory rate	\$10,568	\$ 6,622	\$ 9,590
State income taxes, net of federal benefit	1,143	784	1,158
Goodwill amortization	189	162	185
Other, net	27		
	-----	-----	-----
Total	\$11,927	\$ 7,568	\$10,933
	-----	-----	-----

Deferred tax assets relate principally to differences between book and tax bases of inventory as a result of the various acquisitions and accrued warranty costs.

11 | LEASES

The Company is obligated under various noncancelable operating leases for office facilities and equipment. Rental expense under these agreements amounted to approximately \$2,485,000, \$1,292,000 and \$1,054,000 for the years ended September 30, 1996, 1995 and 1994, respectively. As of September 30, 1996, future minimum lease payments under noncancelable operating lease agreements, excluding leaseback of model homes, are as follows:

YEAR ENDED SEPTEMBER 30,	(in thousands)
1997	\$ 2,468
1998	1,817
1999	1,325
2000	304
2001	65

Total	\$ 5,979

During the year ended September 30, 1995, the Company sold and leased back 102 model homes in Arizona, California and Nevada for approximately \$15.0 million, comprised of cash consideration of \$13.0 million and recourse notes receivable of \$2.0 million. The transactions were accounted for as a sale-leaseback and resulted in the recognition of a \$350,000 gain. The lease terms on individual model homes range from 3 to 33 months. Lease payments vary based on LIBOR and totaled \$1,536,000 and \$914,000 for fiscal years 1996 and 1995, respectively. Future lease commitments approximate \$422,000 in fiscal year 1997 and \$42,000 thereafter. The recourse notes receivable are secured by second deeds of trust on the model homes, provide interest at LIBOR plus 3.5% and are due upon sale of the related model home.

12 | STOCKHOLDERS' EQUITY

PREFERRED STOCK -- In August 1995, the Company sold 2,000,000 shares of its Series A Cumulative Convertible Exchangeable Preferred Stock (liquidation preference \$25.00 per share). The preferred stock pays dividends quarterly at an annual rate of 8%, is convertible at the holder's option into the Company's common stock at a conversion price of \$19.05 per Common Share and is exchangeable, at the Company's option beginning September 1, 1997, into 8% Convertible Subordinated Debentures due 2005. The net proceeds of approximately \$48.1 million were used principally to purchase the Company's common stock held by USI (see Note 1).

COMMON STOCK -- In March 1994, the Company completed an offering of 6,125,367 shares of common stock for proceeds of approximately \$99 million. The proceeds were used together with proceeds from the issuance of the Senior Notes (see Note 9) to retire borrowings and repay amounts payable to affiliates of the Former Parent.

In June 1996, the Company's Board of Directors approved a stock repurchase plan authorizing the purchase of up to 10% of the Company's currently outstanding common stock. Such repurchases, if completed, would be effected at various prices from time to time in the open market. As of September 30, 1996, the Company has purchased 25,000 shares for an aggregate purchase price of approximately \$349,000.

As of September 30, 1996, the Company has reserved 675,000 shares of common stock for issuance under various stock incentive plans and has 495,167 shares available for future grants.

SHAREHOLDER RIGHTS PLAN -- In June 1996, the Company's 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 "Preferred Shares"), of the Company. The Rights become exercisable in certain limited circumstances involving principally the acquisition of over 20% of the Company's outstanding common stock by any one individual or group. The Rights are initially exercisable at a price of \$80.00 per one hundredth of a 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 the Company's 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 the Company's option before they become exercisable. Until a Right is exercised, the holder of a Right has no rights as a shareholder of the Company. The Rights expire on June 24, 2006.

13 | RETIREMENT PLAN AND INCENTIVE AWARDS

401(k) RETIREMENT PLAN -- Effective August 1994, the Company began its 401(k) Retirement Savings and Investment Plan (the "Beazer USA Plan"). Similar plans that were in place prior to August 1994 were terminated and their assets were transferred to the Beazer USA Plan. Substantially all employees are eligible for participation in the Beazer USA Plan after completing one year of service with the Company. Participants are permitted to make contributions to the Beazer USA Plan on a pre-tax salary reduction basis in accordance with the provisions of Section 401(k) of the Internal Revenue Code of 1986, as amended. Participants may defer from 1% to 17% of their salary with certain limitations on highly compensated individuals. The Company matches 50% of the first 6% of the participant's contributions. The participant's contributions vest 100% immediately, while the Company's contributions vest after five years. The Company's total contributions for the years ended September 30, 1996 and 1995 were approximately \$587,000 and \$495,000, respectively.

RESTRICTED STOCK AWARDS -- The Company has issued several restricted stock awards to officers and key employees under the 1994 Stock Incentive Plan (the "Stock 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, all restricted stock awards are considered outstanding shares.

Stock awards are valued when granted and such associated unearned compensation is amortized as expense over the vesting period of the awarded shares. Unearned compensation related to such awards is reflected as a reduction of stockholders' equity. Compensation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expense recognized for such awards totaled \$257,000, \$365,000 and \$150,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

Activity relating to restricted stock awards is summarized as follows:

	YEAR ENDED SEPTEMBER 30,		
	1996	1995	1994
Restricted shares, beginning of period	171,750	95,000	--
Shares awarded	46,500	103,000	95,000
Shares forfeited	(38,417)	(26,250)	
Restricted shares, end of period	179,833	171,750	95,000

Restricted stock awarded during the year ended September 30, 1994 originally would vest based solely on the achievement of certain future financial targets. Accordingly, unearned compensation was subsequently remeasured for such awards based on changes in market value of the Company's common stock. In September 1996, the vesting of such awards was amended to occur unconditionally in March 2001; accordingly, unearned compensation for such awards was then fixed and will not be subsequently remeasured.

STOCK OPTION AWARDS -- The Company has issued several stock option awards to officers and key employees under the Stock Plan and to non-employee directors pursuant to the Company's Non-Employee Director Stock Option Plan. Stock options may be exercised three to ten years from the date such options were granted. As of September 30, 1996, there were no stock options exercisable.

Activity under the Company's stock option plans is summarized as follows:

	1994 STOCK INCENTIVE PLAN	NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN
SHARES UNDER OPTION:		
October 1, 1993	--	--
Granted at \$17.50 per share	205,000	
Canceled at \$17.50 per share	(20,000)	
September 30, 1994	185,000	--
Granted at \$13.375 to \$14.375 per share	127,000	40,000
September 30, 1995	312,000	40,000
Granted at \$16.875 to \$19.125 per share	24,000	10,000
Canceled at \$16.875 to \$17.50 per share	(28,000)	
September 30, 1996 (at \$13.375 to \$17.50 per share)	308,000	50,000

14 | CONTINGENCIES

The Company had outstanding letters of credit and performance bonds of approximately \$6.0 million and \$50.4 million, respectively, at September 30, 1996, related principally to its obligations to local governments to construct roads and other improvements in various developments. The Company does not believe that any such letters of credit or bonds are likely to be drawn upon.

The Company is a defendant or plaintiff in various legal actions which have arisen in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

QUARTERLY FINANCIAL DATA AND STOCK PRICE INFORMATION (UNAUDITED)

SUMMARIZED QUARTERLY FINANCIAL INFORMATION:

(DOLLARS IN THOUSANDS,
EXCEPT PER SHARE AMOUNTS)

	Quarter Ended			
	September 30	June 30	March 31	December 31
FISCAL 1996				
Total revenue	\$294,828	\$217,065	\$196,505	\$158,230
Operating income	11,228	7,979	6,084	4,833
Net income	6,888	4,817	3,663	2,900
Net income per common share:				
Primary	\$ 0.91	\$ 0.59	\$ 0.41	\$ 0.29
Fully diluted	0.76	0.53	0.40	0.29
FISCAL 1995				
Total revenue	\$270,604	\$151,377	\$123,544	\$102,303
Operating income	10,472	2,324	2,461	3,372
Net income	6,317	1,417	1,485	2,133
Net income per common share:				
Primary	\$ 0.78	\$ 0.16	\$ 0.16	\$ 0.23
Fully diluted	0.71	n/a	n/a	n/a

QUARTERLY STOCK PRICE INFORMATION:

	HIGH	LOW
1996 PERIOD		
July 1, 1996 through September 30, 1996	\$ 16 3/4	\$ 14
April 1, 1996 through June 30, 1996	\$ 18 3/8	\$ 15 1/4
January 1, 1996 through March 31, 1996	\$ 20 1/2	\$ 16 1/4
October 1, 1995 through December 31, 1995	\$ 20 5/8	\$ 16 3/8
1995 PERIOD		
July 1, 1995 through September 30, 1995	\$ 17 1/8	\$ 15 1/4
April 1, 1995 through June 30, 1995	\$ 16 5/8	\$ 13 3/8
January 1, 1995 through March 31, 1995	\$ 14 5/8	\$ 11 1/2
October 1, 1994 through December 31, 1994	\$ 14 5/8	\$ 11 1/8

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

This Annual Report contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning the Company's outlook for 1997, overall and market-specific volume trends, pricing trends and forces in the industry, cost reduction strategies and their results, targeted goals for margins and returns, the Company's expectations as to funding its capital expenditures and operations during 1997, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements.

As described in this Annual Report, the Company has begun various initiatives designed to improve its operating profit margin. The most significant factors that could prevent the Company from achieving these goals -- and 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 the Company's local markets
- - Volatility of mortgage interest rates
- - Increased competition in some of the Company's local markets
- - Increased prices for labor, land and raw materials used in the production of houses
- - Any delays in reacting to changing consumer preferences in home design
- - Delays or difficulties in implementing the Company's initiatives to reduce its production and overhead cost structure.

The Company undertakes no duty to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE AND OPERATING MANAGEMENT

OPERATING MANAGEMENT

SOUTHEAST REGION

James A. Moore
Regional Manager

FLORIDA

Leon J. Panitz
President, Panitz Homes

Craig G. Bloxham
President, Gulfcoast Homes

Jeffrey D. Thorson
President, Mid-Florida Division

GEORGIA

Scott A. Hoisington
President

NORTH AND SOUTH CAROLINA

Gary N. Baucom
Regional Manager

NORTH CAROLINA

Scott K. Thorson
President, Squires Homes -- Charlotte

Robert J. Polanco
President, Squires Homes -- Raleigh

SOUTH CAROLINA

William J. Mazar
President, Squire Homes -- Columbia

Jeffrey L. Keefer
City Manager, Squire Homes -- Myrtle Beach

TENNESSEE

H. Eddie Phillips
President, Phillips Builders

Thomas O. Brooks
President, Phillips Builders -- Knoxville

SOUTHWEST REGION

ARIZONA

Joseph C. Thompson
President, Hancock Homes

CALIFORNIA

Anthony R. Tonso
President, Northern California Division

Gerald A. Gates
President, Southern California Division

NEVADA

Warren D. Kiggins, Jr.
President

CENTRAL REGION

TEXAS

Kurt S. Watzek
President

Mark A. Angeli
President, Dallas Division

CORPORATE MANAGEMENT

IAN J. MCCARTHY
President and Chief Executive Officer

DAVID S. WEISS
Executive Vice President and Chief
Financial Officer

JOHN SKELTON
Senior Vice President, Operations and Controller

PETER H. SIMONS
Vice President, Corporate Development

DAVID T. ROOT
Vice President, Operations

MICHAEL T. RAND
Vice President, Operational and Accounting Controls

BOARD OF DIRECTORS

[Photograph - Page 40]

LEFT TO RIGHT:

JOHN SKELTON (Secretary)
DAVID S. WEISS
LARRY T. SOLARI
GEORGE W. MEFFERD
THOMAS B. HOWARD, JR.
D. E. MUNDELL
BRIAN C. BEAZER
IAN J. MCCARTHY

- (1) Audit Committee
- (2) Compensation Committee
- (3) Stock Option Committee

BRIAN C. BEAZER (2)
NON-EXECUTIVE CHAIRMAN OF THE BOARD BEAZER HOMES USA, INC.

Mr. Beazer has served as non-executive Chairman since March 1994. He began work in the construction industry in the late 1950s. He served as Chief Executive Officer of Beazer PLC, from 1968 to 1991, and Chairman of that company from 1983 to 1991. Mr. Beazer is also a Director of Koppers Industries, Inc., Beazer Japan, Ltd., Seal Mint Ltd., Jade Holdings Pte Ltd., Jade Technologies Singapore Pte Ltd. and U.S. Industries, Inc.

THOMAS B. HOWARD, JR. (1,2,3)
FORMER CHAIRMAN AND CHIEF EXECUTIVE OFFICER, GIFFORD-HILL & COMPANY

Mr. Howard has served as a Director of the Company since 1995. He served as the Chairman and Chief Executive Officer of Gifford-Hill & Company, a construction and aggregates company, from 1969 to 1989. Gifford-Hill & Co. was acquired by Beazer PLC in 1989 and Mr. Howard served as Chairman and Chief Executive Officer of the successor company until 1992. During the period 1957 to 1969, Mr. Howard held various positions with Vulcan Materials Company. Mr. Howard currently serves as a Director of Lennox International, Inc. and is on the Board of Trustees of the Methodist Hospitals Foundation.

IAN J. MCCARTHY
PRESIDENT AND CHIEF EXECUTIVE OFFICER, BEAZER HOMES USA, INC.

Mr. McCarthy has served as a Director and Chief Executive Officer since March 1994. Mr. McCarthy served as President of Beazer Homes, Inc. ("BHI") since October 1992 and as President of Beazer Homes Holdings, Inc. ("BHH") since April 1993. From January 1991 to October 1992, he served as Executive Vice President of BHI, responsible for all U.S. residential homebuilding operations. During the period May 1981 to January 1991, Mr. McCarthy was employed in Hong Kong and Thailand as a Director of Beazer Far East, and from January 1980 to May 1981 was employed by Kier Limited, a company engaged in the U.K. construction industry.

GEORGE W. MEFFERD (1,2,3)
FORMER GROUP VICE PRESIDENT, FLUOR CORPORATION NEWPORT BEACH, CALIFORNIA

Mr. Mefferd has served as a Director since March 1994. In 1986, Mr. Mefferd retired as Group Vice President and a Director of Fluor Corporation, an engineering and construction company. From 1974 to 1986, Mr. Mefferd held various positions with Fluor Corporation, including Senior Vice President - Finance, Treasurer, Group Vice President and Chief Financial Officer.

D. E. MUNDELL (1,2,3)
Chairman, ORIX USA Corporation
San Francisco, California

Mr. Mundell has served as a Director since March 1994. Mr. Mundell has served as Chairman of ORIX USA corporation, a financial services company, since January 1991. 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 Varian Associates and Stockton Holding, Ltd.

LARRY T. SOLARI (1,2,3)
Former President, Building Materials
Group, Domtar, Inc.
Ann Arbor, Michigan

Mr. Solari has served as a Director since March 1994. Mr. Solari was the President of the Building Materials Group of Domtar, Inc. He was the President of the Construction Products Group, Owens-Corning Fiberglass from 1986 to 1994. Mr. Solari has been a Director of the Policy Advisory Board of the Harvard Joint Center for Housing Studies and an Advisory Board Member of the National Homebuilders Association.

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

Mr. Weiss has served as a Director and as Executive Vice President and Chief Financial Officer since March 1994. Previously he was Assistant Corporate Controller of Hanson Industries from February 1993. He 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 1991, at which time he served as a Senior Audit Manager.

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS
Beazer Homes USA, Inc.
5775 Peachtree Dunwoody Road
Suite C-550
Atlanta, GA 30342
Telephone: (404) 250-3420

INQUIRIES
Individuals seeking financial data should contact David S. Weiss, Executive Vice President and Chief Financial Officer or Scott M. McKelvey, Manager of Financial Reporting.

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

FORM 10-K
Copies of Beazer Homes USA, Inc.'s Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission will be furnished upon written request to David S. Weiss, Executive Vice President and Chief Financial Officer.

ANNUAL MEETING
The Annual Shareholders' meeting will be held at 9:00 am EST on February 6, 1997 at The Penn Club, 30 West 44th Street, New York, NY 10036.

TRANSFER AGENT
First Chicago Trust Company of New York
52 Washington Boulevard
Suite 4694
Jersey City, NJ 07310

GENERAL COUNSEL
Paul, Hastings, Janofsky & Walker LLP

INDEPENDENT AUDITORS
Deloitte & Touche LLP

TRADING INFORMATION
Beazer Homes USA, Inc. lists its common shares on the New York Stock Exchange, reading under the symbol BZH, and its preferred shares under the symbol BZH.PrA. On December 2, 1996, the last reported sales price of Company's Common Stock on the New York Stock Exchange was \$16.00.

OWNERSHIP
On December 2, 1996, Beazer Homes USA, Inc. had approximately 74 shareholders of record and 6,565,690 shares of Common Stock outstanding.

* HOMES *
- - - - -
BEAZER

BEAZER HOMES USA, INC. | 5775 Peachtree Dunwoody Road | Suite C-550 |
Atlanta, GA 30342 | 404.250.3420

visit our Web site at www.beazer.com

APPENDIX TO FORM 10-K FILINGS TO DESCRIBE DIFFERENCES BETWEEN PRINTED AND
EDGAR-FILED TEXTS:

- (1) Boldface typeface is displayed with capital letters, italic typeface is displayed in normal type.
- (2) Because the printed page breaks are not reflected, certain tabular and columnar headings and symbols are displayed differently in this filing.
- (3) Bullet points and similar graphic signals are omitted.

Name -----	Jurisdiction of Incorporation -----
Squires Homes, Inc.	Delaware
Beazer Homes Corp.	Tennessee
Beazer/Squires Realty, Inc.	North Carolina
Beazer Homes Sales Arizona Inc.	Delaware
Beazer Homes Nevada Inc.	Nevada
Beazer Homes, Inc.	Delaware
Beazer Homes California Inc.	Delaware
Beazer Realty Corp.	Georgia
Panitz Homes Realty, Inc.	Florida
Beazer Homes Holdings Corp.	Delaware
Beazer Homes Texas Holdings Corp.	Delaware
Beazer Homes Texas LP	Texas
Beazer Mortgage Corp.	Delaware

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-91904 of Beazer Homes USA, Inc. ("Beazer Homes") on Form S-8 of our report dated October 30, 1996 appearing in Beazer Homes' 1996 Annual Report to Shareholders and incorporated by reference in this Annual Report on Form 10-K of Beazer Homes for the year ended September 30, 1996.

DELOITTE & TOUCHE LLP

Atlanta, Georgia
December 19, 1996

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 33-91904) of Beazer Homes USA, Inc. of our report dated October 27, 1995, with respect to the consolidated financial statements of Beazer Homes USA, Inc. included in this Annual Report (Form 10-k) for the year ended September 30, 1996.

ERNST & YOUNG LLP

Atlanta, Georgia
December 18, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
SEP-30-1996		
OCT-01-1995		
SEP-30-1996		12942
		0
	6473	
	0	
	320969	
	0	6997
	4174	
	356643	
0		115000
0		20
		93
	178588	
356643		866627
	866627	
		747529
	836505	
	(71)	
	0	
	0	
	30193	
	11927	
18266		
	0	
	0	0
	18266	
	2.20	
	2.01	

The Company presents a condensed balance sheet.