

# **Reverse Stock Split FAQs**

## **1. What is a reverse stock split?**

In a reverse stock split, a company reduces the total number of shares issued and outstanding in proportion to the split ratio. For example, in a 1-for-5 reverse stock split, such as Beazer Homes', if you held 5 shares at the time of the reverse stock split, you would hold one share after the reverse stock split.

Because the company is only changing the number of outstanding shares, this should not change the company's overall valuation. Assuming the company's overall valuation does not change, the price per share should increase proportionally.

A reverse stock split does not change the rights of stockholders nor does it affect any stockholder's ownership percentage of the company's shares, except to the limited extent that the reverse stock split would result in any stockholder owning a fractional share. (See Question #6 below.)

## **2. Why did Beazer Homes ask stockholders to vote on a reverse stock split of its common stock?**

While the reverse stock split had no direct impact on the equity market capitalization of Beazer Homes, management felt that the reverse split would make shares of Beazer Homes common stock more attractive to certain prospective stockholders in at least four significant ways:

1. *Stock price volatility:* Management believes that a higher stock price may increase the acceptability of Beazer Homes common stock to a number of long-term investors who would otherwise be deterred by the trading volatility often associated with stocks below certain prices.
2. *Stock price requirements:* Many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers or by restricting or limiting the ability to purchase such stocks on margin.
3. *Transaction costs:* Investors may be dissuaded from purchasing stocks below certain prices because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for such low-priced stocks.
4. *Equity research:* Finally, analysts at some brokerage firms do not provide coverage of lower-priced stocks.

Taken together, management believes that the reverse stock split has made Beazer Homes common stock a more attractive and cost effective investment.

**3. When did Beazer Homes reverse stock split become effective and what was the ratio for the reverse stock split?**

Our 1-for-5 reverse stock split became effective at 4:15 p.m., Eastern Time, on October 11, 2012. As a result, every five shares of Beazer Homes common stock outstanding have been combined into one share of common stock, reducing the number of shares of Beazer Homes common stock outstanding from approximately 123 million to approximately 24.6 million.

**4. Did the CUSIP number for Beazer Homes common stock change?**

Yes. Upon the opening of the New York Stock Exchange on October 12, 2012, shares of Beazer Homes common stock began trading under a new CUSIP number, 07556Q 881, and a new ISIN US07556Q8814.

**5. Did the ticker symbol for Beazer Homes common stock change as a result of the reverse stock split?**

No. Beazer Homes common stock continues to be listed on the New York Stock Exchange under the ticker symbol "BZH."

**6. How will fractional shares of Beazer Homes common stock be treated in the reverse stock split?**

No fractional shares will be issued in connection with the reverse stock split. Instead, Beazer Homes' transfer agent, American Stock Transfer & Trust Company, LLC, will aggregate all fractional shares that otherwise would have been issued as a result of the reverse stock split and those shares will be sold into the market. Stockholders who would otherwise have been entitled to receive a fractional share of Beazer Homes common stock will instead receive a cash payment equal to their pro rata share of the total net proceeds (after deducting customary brokerage commissions and other expenses) of the transfer agent's sales of all fractional shares.

**7. Did the reverse stock split result in a change of the number of shares of Beazer Homes common stock authorized for issuance?**

The number of shares of Beazer Homes common stock authorized for issuance was reduced to 100 million at the same time that the reverse stock split became effective.

**8. What should I do with the shares of Beazer Homes common stock that I currently own?**

If you hold physical stock certificates for Beazer Homes common stock, you will receive a letter of transmittal (also referred to as the Exchange Form) from American Stock

Transfer & Trust Company, LLC, Beazer Homes' transfer agent, explaining how to send your certificates back to American Stock Transfer & Trust Company, LLC, to exchange them for replacement certificates of the new Beazer Homes common stock and, if applicable, the cash payment in lieu of fractional shares. You can contact American Stock Transfer & Trust Company, LLC, for more information by calling (212) 936-5100.

If your shares of Beazer Homes common stock were held in a brokerage account on the effective date of the reverse stock split (October 11, 2012), your broker was authorized to exchange the shares for you, and the number of shares you own after the reverse stock split should be reflected in your account shortly after the effective date. You can contact your broker for more information.

#### **9. How did the reverse stock split impact Beazer Homes' other securities?**

As a result of the reverse stock split, adjustments were made to certain terms of certain of Beazer Homes' outstanding securities, including its 7.25% Tangible Equity Units, its 7.50% Tangible Equity Units, and its 7.50% Mandatory Convertible Subordinated Notes due 2013. In general, these adjustments modified the various conversion ratios of these securities to account for the reverse stock split. For more information about the specifics of these adjustments, please see Beazer Homes' Current Report on [Form 8-K](#) filed on October 11, 2012.

In addition, adjustments were also made to the rights issued pursuant to Beazer Homes' Section 382 Rights Agreement. Each share of Beazer Homes common stock prior to the reverse stock split was accompanied by one Series A Junior Participating Preferred Stock Purchase Right (a "Right"). After the reverse stock split, the ratio between the common stock and a Right was automatically increased by five so that each share of common stock after the reverse stock split is accompanied by five Rights. In addition, each of the voting, dividend and liquidation rights of the Series A Junior Participating Preferred Stock associated with the Rights was automatically reduced by a factor of five. For more information about the specifics of these adjustments, please see Beazer Homes' Current Report on [Form 8-K](#) filed on October 11, 2012.

#### **10. What are the tax consequences of the reverse stock split?**

Beazer Homes stockholders generally should not recognize any gain or loss for U.S. Federal income tax purposes other than with respect to cash received for fractional shares. However, each stockholder is advised to consult his or her tax advisor as to his or her own situation.

#### **11. Where can I get information about my individual stock account?**

To obtain information about a specific stockholder account, please contact either your broker or Beazer Homes' transfer agent, American Stock Transfer & Trust Company, LLC, at 212-936-5100.