

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2000

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

Commission file number: 001-12822

Beazer Homes USA, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

58-2086934
(I.R.S. Employer
Identification No.)

5775 Peachtree Dunwoody Road, Suite B-200, Atlanta, Georgia 30342
(Address of principal executive offices) (Zip code)

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

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

Title of Securities	Exchanges on which Registered
Common Stock, \$.01 par value per share	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

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

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

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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant (7,743,695 shares) as of December 8, 2000, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$278,773,020. The number of shares outstanding of the registrant's Common Stock as of December 8, 2000 was 8,483,824.

DOCUMENTS INCORPORATED BY REFERENCE

	Part of 10-K Where Incorporated
Portions of the registrant's 2000 Annual Report to Shareholders for the fiscal year ended September 30, 2000	II
Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on February 1, 2001	I, III

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PART I

Item 1. Business

Our principal executive offices are located at 5775 Peachtree Dunwoody Road, Suite B-200, Atlanta, Georgia 30342, telephone (404) 250-3420. We also provide information about our active communities and mortgage financing through our Internet web site located at www.beazer.com.

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

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

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

Geographic Diversity and Growth Markets. We compete in a large number of geographically diverse markets in an attempt to reduce our exposure to any particular regional economy. Virtually all of the markets in which we operate have experienced significant population growth in recent years. Within these markets, we build homes in a variety of projects, typically with fewer than 150 homesites.

Quality Homes for Entry-Level and First Time Move-Up Home Buyers. We seek to maximize customer satisfaction by offering homes which incorporate quality materials, distinctive design features, convenient locations and competitive prices. We focus on entry-level and first time move-up home buyers because

we believe they represent the largest segment of the homebuilding market. During fiscal year 2000, the average sales price of our homes sold was approximately \$190,700.

Additional Products and Services for Homebuyers. In order to maximize our profitability and provide our homebuyers with the additional products and services that they desire, we have incorporated design centers and mortgage origination operations into our business. Recognizing that homebuyers want to choose certain components of their new home, we began offering limited customization through the use of design centers in most of our markets. These design centers allow the homebuyer to select certain non-structural customizations for their homes such as cabinetry, flooring, fixtures, appliances and wallcoverings. Additionally, recognizing the

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homebuyer's desire to simplify the financing process, we began originating mortgages on behalf of our customers through Beazer Mortgage Corp. Beazer Mortgage originates, processes and sells mortgages to third party investors. Beazer Mortgage does not retain or service the mortgages that it originates. We also provide title insurance to our homebuyers in many of our markets. During fiscal 2000, we formed an insurance agency to provide homeowners and other insurance to our homebuyers.

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

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

Value Created. We measure our financial performance using Value Created, a variation of economic profit or economic value added. Value Created measures the extent to which we beat our cost of capital.

Company History

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

Recent Business Developments

Internet E-business Strategy: During fiscal 2000 we upgraded and expanded our website, *beazer.com*, which is currently used principally as a tool for marketing our homes and services to our customers. We anticipate upgrading our website further during fiscal 2001 to provide additional ability to communicate with our customers, employees, suppliers and subcontractors, including the introduction of *MyBeazerHome.com*, a personalized web page for our homebuyers created once they sign a contract. We are also actively evaluating means of using the internet to conduct transactions both between us and the consumer (B2C) and between us and other businesses (B2B).

Markets and Product Description

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

- (1) the historical and projected growth of the population;
- (2) the number of new jobs created or projected to be created;
- (3) the number of housing starts in previous periods;
- (4) building lot availability and price;
- (5) housing inventory;
- (6) level of competition; and
- (7) home sale absorption rates.

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

Entry-level homes generally are those homes priced at the lower end of the market and target first time 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 our move-up homes are priced at the upper end of the market and we offer a selection of amenities, we generally do not build "custom homes," and our prices of first time move-up homes generally are well below the prices of custom homes in most areas. We attempt to maximize efficiency by using standardized design plans whenever possible.

The following table summarizes certain operating information regarding our markets as of and for the year ended September 30, 2000 (*dollars in thousands*):

State	Number of Active Subdivisions	Number of Homes Closed	Average Closing Price	Units in Backlog at Year End	Dollar Value of Backlog at Year End
Arizona	28	1,180	\$ 153.2	381	\$ 59,750
California	29	1,475	237.1	586	129,283
Florida	43	917	212.3	392	93,127
Georgia	9	193	200.0	116	16,199
Maryland	11	352	200.4	128	29,322
Nevada	11	375	179.7	182	31,610
New Jersey/Pennsylvania	11	220	307.0	110	27,477
North Carolina	28	897	132.7	153	19,941
South Carolina	15	589	133.9	107	17,731
Tennessee	23	420	206.5	107	23,983
Texas	28	642	177.8	259	36,014
Virginia	19	597	218.0	408	92,056
Total Company	255	7,857	\$ 190.7	2,929	\$ 576,493

Our homebuilding and marketing activities are conducted under the name of Beazer Homes in each of our markets except as follows:

Market	Doing Business As
Jacksonville	Panitz Homes
Tennessee	Phillips Builders
North Carolina	Squires Homes(1)
South Carolina	Squires Homes(1)

(1) We intend to change to Beazer Homes in fiscal 2001.

Corporate Operations

We perform the following functions at a centralized level:

- (1) evaluate and select geographic markets;
- (2) allocate capital resources to particular markets, including with respect to land acquisitions;
- (3) maintain our relationship with lenders to regulate the flow of financial resources and develop consistent relationships with our lenders;
- (4) maintain centralized information systems; and
- (5) monitor the decentralized operations of the Company's subsidiaries and divisions.

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

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

Land Acquisition and Development

Substantially all of the land we acquire is purchased only after necessary entitlements have been obtained so that we have certain rights to begin development or construction as market conditions dictate. In certain situations, we will purchase unentitled property where we perceive an opportunity to build on such property in a manner consistent with our strategy. The term "entitlements" refers to development agreements, tentative maps or recorded plats, depending on the jurisdiction within which the land is located. Entitlements generally give a developer the right to obtain building permits upon compliance with conditions that are usually within the developer's control. Although entitlements are ordinarily obtained prior to the purchase of land, we are still required to obtain a variety of other governmental approvals and permits during the development process.

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

- (1) internal and external demographic and marketing studies;
- (2) suitability for development during the time period of one to five years from the beginning of the development process to the last closing;
- (3) financial review as to the feasibility of the proposed project, including projected value created, profit margins and returns on capital employed;
- (4) the ability to secure governmental approvals and entitlements;
- (5) environmental and legal due diligence;
- (6) competition;
- (7) proximity to local traffic corridors and amenities; and
- (8) management's judgment as to the real estate market, economic trends and the Company's experience in a particular market.

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

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

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

The following table sets forth, by state, land controlled by us as of September 30, 2000:

	Lots Owned				Lots Under Contract(3)				Total Land Controlled
	Undeveloped Lots(1)	Lots Under Development	Finished Lots	Homes Under Construction(2)	Total Lots Owned	Finished Lots	Undeveloped Lots	Total Lots Under Contract	
Southeast Region:									
Georgia	469	—	123	156	748	249	—	249	997
North Carolina	—	892	32	264	1,188	2,417	—	2,417	3,605
South Carolina	—	363	4	104	471	1,432	—	1,432	1,903
Tennessee	—	313	364	237	914	1,050	478	1,528	2,442
Florida	—	295	316	411	1,022	1,696	946	2,642	3,664
Southwest Region:									
Arizona	—	—	1,242	401	1,643	1,485	—	1,485	3,128
California	—	530	554	671	1,755	727	1,122	1,849	3,604
Nevada	—	—	456	238	694	133	—	133	827
Central Region:									
Texas	—	235	1,171	314	1,720	1,010	343	1,353	3,073
Mid-Atlantic Region:									
Maryland	—	250	190	134	574	393	—	393	967
New Jersey/Pennsylvania	241	204	134	96	675	186	949	1,135	1,810

Virginia	—	235	194	177	606	96	1,324	1,420	2,026
Total	710	3,317	4,780	3,203	12,010	10,874	5,162	16,036	28,046

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

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Option Contracts: We acquire certain lots by means of option contracts. Option contracts generally require the payment of a cash deposit or issuance of a letter of credit for the right to acquire lots during a specified period of time at a certain price. Our option contracts have expiration periods ranging from one to 60 months.

Under option contracts without specific performance obligations, our liability is limited to forfeiture of deposits, which aggregated approximately \$17.8 million at September 30, 2000, and is included in inventory on our balance sheet. At September 30, 2000, committed amounts under option contracts without specific performance obligations aggregated \$497.8 million.

Under option contracts with specific performance obligations, we are generally 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. They are required to deliver lots which are free of any liens and are appropriate for residential building pursuant to a specified schedule. If we fail 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 its obligations under the contract, the party granting the option to us generally has the right to either terminate the option granted pursuant to the option contract in its entirety or to require us to purchase the remaining lots. If the party granting the option fails to meet its obligations under such option contracts, we generally may, at our option, either not make the lot purchase or require the party granting the option to cure the deficiency. Under such option contracts, if we purchase a lot and subsequently discover that the lot did not meet all of the conditions specified by the option contract, we generally may require the party granting the option to repurchase the lot or cure the deficiency. At September 30, 2000, committed amounts under option contracts with specific performance obligations aggregated \$31.7 million.

Construction

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

Construction time for our homes depends on the availability of labor, materials and supplies, product type and location. Homes are designed to promote efficient use of space and materials, and to minimize construction costs and time. In all of our markets except California, construction of a home

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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, 2000, we had 627 finished homes, of which 331 were sold and included in backlog at such date.

Warranty Program

We self-insure our structural warranty obligations through our risk retention group United Home Insurance Corp. ("UHIC"). We believe this results in cost savings as well as increased control over the warranty process. The first year of our warranty covers defects in plumbing, electrical, heating, cooling and ventilation systems, and major structural defects; the second year of such warranty covers major structural defects and certain defects in plumbing, electrical, heating, cooling and ventilation systems of the home (exclusive of defects in appliances, fixtures and equipment); and the final eight years of protection cover only major structural defects. 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. Our historical experience is that such warranty expenses generally fall within the amount established for such allowance.

We provide a one-year limited warranty of workmanship and materials with each of our homes, which generally includes home inspection visits with the customer during the first year following the purchase of a home. We subcontract our homebuilding work to subcontractors who provide us with an indemnity and a certificate of insurance prior to receiving payments for their work and, therefore, claims relating to workmanship and materials are generally the primary responsibility of our subcontractors.

For homes closed prior to September 30, 1997, we provided a 10-year homeowners' warranty through a single national agreement with Home Buyer Warranty Corporation. The terms of the warranty are materially consistent with those currently provided through UHIC.

Marketing and Sales

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

We normally build, decorate, furnish and landscape between one and five model homes for each project and maintain on-site sales offices. At September 30, 2000, the Company maintained 257 model homes, of which 171 were owned and 86 were leased from third parties pursuant to sale and leaseback agreements. We believe that model homes play a particularly important role in our marketing efforts. Consequently, we expend a significant effort in creating an attractive atmosphere at our model homes. Interior decorations are undertaken by both in-house and local third-party design specialists, and vary within our models based upon the lifestyles of targeted homebuyers. The purchase of furniture, fixtures and fittings is coordinated to ensure that manufacturers' bulk discounts are utilized to the maximum extent. Structural changes in design from the model homes are not generally permitted, but homebuyers may select various optional amenities. We also use a cross-referral program that encourages our personnel to direct customers to other Beazer subdivisions based on the customers' needs.

We generally sell our homes through commissioned employees (who typically work from the sales offices located at the model homes used in the subdivision) as well as through independent brokers. Our personnel are available to assist prospective homebuyers by providing them with floor plans, price information and tours of model homes and in connection with the selection of options. The selection of interior features is a principal component of our marketing and sales efforts. Sales personnel are trained by us and attend periodic meetings to be updated on sales techniques, competitive products in

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the area, the availability of financing, construction schedules, marketing and advertising plans, which management believes result in a sales force with extensive knowledge of our operating policies and housing products. Our policy also provides that sales personnel be licensed real estate agents where required by law. We also build a number of homes for which no signed sales contract exists at the time of commencement of construction. The use of an inventory of such homes is necessary to satisfy the requirements of relocated personnel and of independent brokers, who often represent customers who require a completed home within 60 days. At September 30, 2000, excluding models, the Company had 982 homes either finished or at various stages of completion for which the Company had not received a sales contract.

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

Customer Financing

We provide customer financing through Beazer Mortgage. Beazer Mortgage provides mortgage origination services only, and does not retain or service the mortgages that it originates. These mortgages are generally funded by one of a network of mortgage lenders arranged for us by Homebuilders Financial Network, an independent consultant. Beazer Mortgage can provide qualified home buyers numerous financing options, including a wide variety of conventional, FHA and VA financing programs. In certain situations we will seek to assist our home buyers in obtaining financing from outside mortgage lenders and, in certain limited circumstances, we may attempt to minimize potential risks relating to the availability of customer financing by purchasing mortgage financing commitments that lock in the availability of funds and interest rates at specified levels for a certain period of time. Because substantially all 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 our markets in the future.

Competition and Market Factors

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

- (1) our experience within our geographic markets and breadth of product line, which allows us to vary our regional product offerings to reflect changing market conditions;
- (2) our responsiveness to market conditions, enabling us to capitalize on the opportunities for advantageous land acquisitions in desirable locations; and
- (3) our 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.

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Government Regulation and Environmental Matters

Substantially all of our land is purchased with entitlements, giving us the right to obtain building permits upon compliance with specified conditions, which generally are within our control. Upon compliance with such conditions, we must obtain building permits. The length of time necessary to obtain such permits

and approvals affects the carrying costs of unimproved property acquired for the purpose of development and construction. In addition, the continued effectiveness of permits already granted is subject to factors such as changes in policies, rules and regulations and their interpretation and application. Several governmental authorities have imposed impact fees as a means of defraying the cost of providing certain governmental services to developing areas. To date, the governmental approval processes discussed above have not had a material adverse effect on our development activities, and indeed all homebuilders in a given market face the same fees and restrictions. There can be no assurance, however, that these and other restrictions will not adversely affect us in the future.

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

Bonds and Other Obligations

We are frequently required, in connection with the development of our projects, to obtain letters of credit and performance, maintenance and other bonds in support of our related obligations with respect to such developments. The amount of such obligations outstanding at any time varies in accordance with our pending development activities. In the event any such bonds or letters of credit are drawn upon, we would be obligated to reimburse the issuer of such bonds or letters of credit. At September 30, 2000, there were approximately \$31.6 million and \$119.8 million of outstanding letters of credit and performance bonds, respectively, for such purposes. We do not believe that any such bonds or letters of credit are likely to be drawn upon.

Employees and Subcontractors

At September 30, 2000, we employed 1,631 persons, of whom 348 were sales and marketing personnel, 582 were executive, management and administrative personnel, 618 were involved in construction and 83 were personnel of Beazer Mortgage. Although none of the our employees are covered by collective bargaining agreements, certain of the subcontractors engaged by us are represented by labor unions or are subject to collective bargaining arrangements. We believe that our relations with our employees and subcontractors are good.

Item 2. Properties

We lease approximately 16,000 square feet of office space in Atlanta, Georgia to house our corporate headquarters. We also lease an aggregate of approximately 208,000 square feet of office space for our subsidiaries' operations at various locations. We own approximately 18,500 square feet of manufacturing space and 6,800 square feet of office space in Nashville, Tennessee.

Item 3. Legal Proceedings

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

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

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

SEPARATE ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Position
Directors and Executive Officers		
Ian J. McCarthy	47	President, Chief Executive Officer and Director
David S. Weiss	40	Executive Vice President, Chief Financial Officer and Director
Michael H. Furlow(i)	50	Executive Vice President, Chief Operating Officer
John Skelton	51	Senior Vice President, Financial Planning
Peter H. Simons	41	Senior Vice President, E-Business Development

(i) Since October 1997

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 15 to 16 of our Proxy Statement for the Annual Meeting of Shareholders to be held on February 1, 2001 for a description of employment arrangements with certain executive officers.

Business Experience

Refer to pages 4 and 5 of our Proxy Statement for the Annual Meeting of Shareholders to be held on February 1, 2001 for the business experience of Messrs. Ian J. McCarthy and David S. Weiss.

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

JOHN SKELTON. Mr. Skelton has served as Senior Vice President, Operations since March 1994 and was appointed Senior Vice President, Financial Planning in fiscal 1999. 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

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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 was appointed Senior Vice President, E-Business Development in October 2000 and has served as Vice President of Corporate Development (since October 1998 SVP) 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.

PART II

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

On December 8, 2000, Beazer Homes USA, Inc. had approximately 62 shareholders of record and 8,483,824 shares of common stock outstanding.

The remaining information required by this item is incorporated by reference to the information set forth under the captions "Quarterly Stock Price Information" and "Trading Information" located on Page 43 and 50, respectively, of our Annual Report to Shareholders for the year ended September 30, 2000.

Item 6. Selected Financial Data

The information required by this item is incorporated by reference from page 20 of our Annual Report to Shareholders for the year ended September 30, 2000.

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

The information required by this item is incorporated by reference from pages 23 to 30 of our Annual Report to Shareholders for the year ended September 30, 2000.

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

We have not entered into any transactions using derivative financial instruments or derivative commodity instruments and believe that our exposure to interest rate risk and other relevant market risk is not material.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated by reference from pages 32 to 43 of our Annual Report to Shareholders for the year ended September 30, 2000.

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

There have been no disagreements between us and our accountants on accounting and financial disclosure matters during the fiscal years ended September 30, 2000 and 1999.

PART III

Item 10. Directors and Executive Officers of the Registrant

Director information is incorporated by reference from pages 4 to 5 of our Proxy Statement for the Annual Meeting of Shareholders to be held February 1, 2001. Information regarding our executive officers is set forth herein under Part I as a separate item.

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Item 11. Executive Compensation

The information required by this item is incorporated by reference from page 13 of our Proxy Statement for the Annual Meeting of Shareholders to be held February 1, 2001.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

None

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)

1. Financial Statements

The Independent Auditors' Report and the following consolidated financial statements are incorporated by reference from our Annual Report to Shareholders for the fiscal year ended September 30, 2000 in Part II, Item 8 of this report:

Consolidated Statements of Income for the years ended September 30, 2000, 1999 and 1998.

Consolidated Balance Sheets as of September 30, 2000 and 1999.

Consolidated Statements of Stockholders' Equity for the years ended September 30, 2000, 1999 and 1998.

Consolidated Statements of Cash Flows for the years ended September 30, 2000, 1999 and 1998.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

None required

3. Exhibits

Exhibit Number	Exhibit Description	Page Herein or Incorporate by Reference From
3.1	— Amended and Restated Certificate of Incorporation of the Company	(7)
3.2	— Amended and Restated Bylaws of the Company	(7)
4.1	— 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 (the "9% Notes").	(1)
4.2	— First Supplemental Indenture (9% Notes) dated June 13, 1995	(13)
4.3	— Second Supplemental Indenture (9% Notes) dated February 1, 1996	(13)
4.4	— Third Supplemental Indenture (9% Notes) dated March 18, 1998	(13)
4.5	— Fourth Supplemental Indenture (9% Notes) dated July 20, 1998	(14)
4.6	— Form of 9% Senior Note due 2004.	(2)

	Indenture dated as of March 25, 1998 among the Company, its subsidiaries party thereto, and US Bank Trust National Association, as trustee, relating to the Company's 8 ⁷ / ₈ % Senior Notes due 2008.	(13)
4.7	— Form of 8 ⁷ / ₈ % Senior Note due 2008	(13)
4.8	— First Supplemental Indenture (8 ⁷ / ₈ % Notes) dated July 20, 1998	(14)
4.9	— Specimen of Common Stock Certificate	(6)
4.12	— 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)
4.13	— Form of 8% Convertible Subordinated Debenture due 2005	(4)
4.14	— Retirement Savings and Investment Plan (the "RSIP").	(5)
4.15	— RSIP Summary Plan Description.	(5)
4.16	— Rights Agreement, dated as of June 21, 1996, between the Company and First Chicago Trust Company of New York, as Rights Agent.	(8)
10.1	— Amended 1994 Stock Incentive Plan.	(3)
10.2	— Non-Employee Director Stock Option Plan.	(3)
10.3	— Asset Purchase Agreement dated as of October 26, 1998 between Beazer Homes Corp. and Trafalgar House Property, Inc.	(12)
10.4-7	Amended and Restated Employment Agreements dated as of March 31, 1995:	
10.4	— Ian J. McCarthy.	(9)
10.5	— David S. Weiss.	(9)
10.6	— John Skelton.	(9)
10.7	— Employment Agreement dated as of January 13, 1998—Michael H. Furlow	(13)

10.8-11	Supplemental Employment Agreements dated as of July 17, 1996:	
10.8	— Ian J. McCarthy.	(10)
10.9	— David S. Weiss.	(10)
10.10	— John Skelton.	(10)
10.11	— Peter H. Simons.	(10)
10.12	— Second Amended and Restated Credit Agreement dated as of December 29, 1999 between the Company and Bank One, NA, as Agent, and Comerica Bank and Guaranty Federal Bank, F.S.B as Managing Agents	
11	— Earnings Per Share Calculations	Filed herewith
13	— Annual Report to Shareholders for the year ended September 30, 2000	Filed herewith
21	— Subsidiaries of the Company	Filed herewith
23	— Consent of Deloitte & Touche LLP	Filed herewith

27	— Financial Data Schedule	Filed herewith
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- (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.
- (10) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 1996.
- (11) Incorporated herein by reference to the exhibits to the Company's report on Form 10-Q for the quarterly period ended June 30, 1997.
- (12) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K/A filed on December 18, 1998.
- (13) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-4 (Registration No. 333-51087) filed on April 27, 1998.
- (14) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 1998.

(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, 2000.

(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.

- 13 — The Company's Annual Report to Shareholders for the fiscal year ended September 30, 2000. Except as expressly incorporated by reference in this report on Form 10-K, such Annual Report is furnished only for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this report. The following portions of such Annual Report are incorporated by reference in the indicated items of this report.

Portions of the Annual Report for the Fiscal Year Ended September 30, 2000	Item of this Report
"Trading Information" and "Quarterly Stock Price Information"	5
Selected Financial Data	6
Management's Discussion and Analysis of Financial Condition and Results of Operations	7
Consolidated Financial Statements	8

- 21 — Subsidiaries of the Company
- 23 — Consent of Deloitte & Touche LLP
- 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 22, 2000

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.

By:	/s/ BRIAN C. BEAZER	December 22, 2000
	_____ Brian C. Beazer, <i>Director and Non-Executive Chairman of the Board</i>	_____ Date
By:	/s/ IAN J. MCCARTHY	December 22, 2000
	_____ Ian J. McCarthy, <i>Director, President and Chief Executive Officer (Principal Executive Officer)</i>	_____ Date
By:	/s/ DAVID S. WEISS	December 22, 2000
	_____ David S. Weiss, <i>Director, Executive Vice President and Chief Financial Officer (Principal Financial Officer)</i>	_____ Date
By:	/s/ THOMAS B. HOWARD	December 22, 2000
	_____ Thomas B. Howard, <i>Director</i>	_____ Date
By:	/s/ GEORGE W. MEFFERD	December 22, 2000
	_____ George W. Mefferd, <i>Director</i>	_____ Date

By: /s/ D.E. MUNDELL

D.E. Mundell,
Director

December 22, 2000

Date

By: /s/ LARRY T. SOLARI

Larry T. Solari,
Director

December 22, 2000

Date

By: /s/ MICHAEL T. RAND

Michael T. Rand,
Vice President and Controller
(Principal Accounting Officer)

December 22, 2000

Date

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

	Year Ended September 30,		
	2000	1999	1998
Basic:			
Earnings—			
Net income	\$ 43,606	\$ 36,934	\$ 23,201
Less: Dividends and other payments to preferred stockholders	—	3,343	4,000
Net income applicable to common shareholders	\$ 43,606	\$ 33,591	\$ 19,201
Shares—			
Weighted average number of common shares outstanding	8,254	7,320	5,864
Basic net income per share	\$ 5.28	\$ 4.59	\$ 3.27
Diluted:			
Earnings			
Net income applicable to common stockholders	\$ 43,606	\$ 33,591	\$ 19,201
Plus: Dividends and other payments to preferred stockholders	—	\$ 3,343	\$ 4,000
Adjusted net income applicable to common shareholders	\$ 43,606	\$ 36,934	\$ 23,201
Shares			
Weighted average number of common shares outstanding	8,254	7,320	5,864
Effect of dilutive securities:			
Assumed conversion of preferred shares	—	1,232	2,625
Restricted stock	298	254	163
Options to acquire common stock	78	89	79
Diluted weighted average number of common shares outstanding	8,630	8,895	8,731
Diluted earnings per share	\$ 5.05	\$ 4.15	\$ 2.66

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• HOMES • BEAZER



[hear us grow]

Beazer Homes
2000 Annual Report

Owning a home has been our dream. More room for our family to grow. The kids



click

beazer.com

BUSINESS DESCRIPTION

Beazer Homes USA, Inc. is one of the 10 largest homebuilders in the country. Our operations are geographically diversified in 13 states in the Southeast, Southwest, Mid-Atlantic and Texas. Our market strategy focuses on building quality homes targeted to entry-level and first-time move-up homebuyers. We measure our financial performance using "Value Created," a

variation of economic profit that measures the extent to which we exceed our cost of capital. Founded in 1985, Beazer is headquartered in Atlanta, Georgia. The Company has been listed on the New York Stock Exchange since 1994 under the symbol "BZH."

Contents

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- 46 Beazer Homes At-A-Glance
- 50 Shareholder Information

BZH
Listed
NYSE

Terrific. I can save and compare floor plans in my own folder.

click



Earnings per share

A 29% increase in home closings produced 90% growth in EPS over two years.

need a space to call their own. Can't wait to have our own yard. Then a dog. But it's got to be in the right place. Location. Want

click
click
click
click

Hmmmm.
That's interesting;

click

Look at that
great storage
space.

click
cli

they'll help me
with my mortgage.



And service after
the sale. This just
keeps getting
better.



closer commute. Maybe a home office, too. Telecommuting could work with the right setup. Gotta find the right floor plan. Gotta find the right place.

click

This is it. Has everything we want.

ck



We're going to visit
right after work.

The mortgage. Payments could actually be less than our rent now. It's going to help on taxes, too. It all makes so much sense. The right house just has to be out there!

2

click That's the sound of Beazer's Internet commitment.

A slight press and quick release of the finger produces a tiny sound that is having a huge impact on how Beazer operates. Internet technology is fundamentally changing every phase of our homebuilding business—from sales to construction, through closing and beyond. Under the banner of "Clicks & Sticks," we have initiated an array of electronic commerce programs that target new ways to enhance customer relationships, create revenue opportunities, and increase profit margins through better efficiencies.

Today, this potential is most evident in the area of marketing. It is estimated that between 50 and 60 percent of all buyers—in particular those re-locating—utilize the Internet at some point in their search for a new home. A visit to www.beazer.com demonstrates why. If the Yellow Pages® "let your fingers do the walking," this award-winning site lets your fingers also do the driving, touring, viewing, comparing, questioning and other first steps to owning a new home. A prospective buyer can take a 360-degree virtual tour of any Beazer model home, check available inventory within any community, conduct a comparative analysis of floor plans, review design options, and even pre-qualify for a mortgage—all within beazer.com.

The effectiveness of this enhanced functionality can be measured by a tripling of monthly visits to the site over the past year and a six-fold increase in e-mail inquiries. The site's high volume reflects our wide presence on the Web. beazer.com is featured on Yahoo!, AOL and other major portals that direct visitors to the site. Our 250-plus communities are also featured on NewHomeNetwork.com and Homebuilder.com—the leading new home portals on the Internet.

With the success of beazer.com firmly established, we are developing Internet technology applications for virtually every other part of our business. Two of the most ambitious of these projects are WorkWithBeazer.com, an Internet application that links Beazer to its network of subcontractors and suppliers, and MyBeazerHome.com, a personal, customized website that will be created for each of our customers once a home contract is signed. For a top-ten builder such as Beazer, all of our e-commerce initiatives will capitalize on the Internet's power to build our brand and to drive economies of scale on a national level.

CLICK. At Beazer, it's the sound of virtual growth.

3



Thanks to better communication in the field, Beazer projects can stay on schedule, even with several days of bad weather.

Love watching the house go up. Can't believe how much progress has been made. Actually ahead of schedule. Taken



By using BuildNet software, Beazer can submit purchase orders on-line so that construction phases can move along smoothly.

Beazer suppliers know that a schedule has been adjusted by checking *WorkWithBeazer.com*. This instant communication means better supply chain coordination.

At the end of the day, Beazer supervisors can transmit construction updates to the central office through handheld wireless remotes...less paper and an easier process.

everyone through it. Got Mom's seal of approval. Floor plan is working even better than I thought. So much room. Wonder

Look at our choices.



By taking the bonus room option, we will increase our resale value.

kitchen will affect the breakfast bar? Gotta get back to the design center. Could live there. Homebuilding their way is so easy.

The hammer meets the nail. It's loud. It's powerful. And at Beazer, it's constant.

When one of the country's largest homebuilders is growing at a record pace, it's simply a noisy process. Over the past 12 months, more buyers than ever have signed a contract on a Beazer home, producing a record backlog level that represented more than a half-billion dollars in sales value at year-end. Total homes closed during fiscal 2000 also rose to a record high. These record performances are consistent with the phenomenal growth that we have posted over the past decade, from under 1,000 homes closed in 1990 to nearly 8,000 closed in 2000.

Bam You're listening to 7,857 homes being built—a record for Beazer.

To effectively manage this rapid rate of growth, we must stay at the forefront of building practices. Enter technology. We are in the process of implementing B2B e-commerce applications that we believe will revolutionize home construction management and produce dramatic savings.

To understand the potential for such savings, one only has to examine the homebuilding process. Consider the numerous functions—foundation, framing, roofing, wiring, plumbing, sheet rock, trim carpentry, flooring and painting crews—involved in the construction of a single home. Now, multiply this across the thousands of Beazer homes under construction at any given time. The need for effective communication and coordination—i.e., sound scheduling—is critical to cost control and margin expansion.

Coordinated scheduling as well as purchasing and invoicing will occur through *WorkWithBeazer.com*, our Internet link to subcontractors and suppliers. To further enhance communication, we are also testing tools that allow crews to receive real-time information through Internet connectivity using handheld wireless devices.

Through these and other initiatives, we believe we can successfully bring to market the products and services that make a profound impact on the homebuilding process.

BAM—At Beazer, it's the sound that goes to the bottom line.



[Clink]

[Clink]



This feels so right. Love it. Move was simple. Great recommendation on movers. Looks even better than at the design

8

Here's to 403 Morningside Drive and the smoothest move we've ever made.



center. Really feels like my house. Gotta get the electrical plans off the website. Neighbors coming over, too. So easy to meet people. Really feels like a

9

Glasses come together to produce a ring that reverberates. This ongoing, echo effect also characterizes the lasting relationships Beazer forms with its customers—relationships that are a major competitive advantage for us. This philosophy capitalizes on the trust that is established between Beazer and our homebuyers, whose homes represent the largest purchases they make in life. As a result, we believe that Beazer is not simply a builder in the eyes of a customer, but an ongoing resource for all aspects of home management and community interaction.

MyBeazerHome.com will soon encompass this concept and will elevate customer service to an entirely new level for the homebuilding industry. *MyBeazerHome* is a personalized website for every Beazer customer once they sign a contract. Currently in development, the prototype allows buyers to communicate with sales agents, review selections from design centers, apply for their mortgage, receive construction updates, schedule walk-throughs, coordinate closings, and order utility services. Buyers will be able to use *MyBeazerHome* to search for and locate move-in services, purchase homeowners and other insurance, and tap into detailed information about their new community.

Once the buyer becomes a resident, *MyBeazerHome* will serve as a continuing link to Beazer and the community. Local products and services will be offered on-line. Re-modeling or home maintenance services may be shopped and purchased through the site. Community calendars and other neighborhood networks will be maintained on the site.

In addition to the value and convenience it offers Beazer community residents, the site can also serve as an invaluable tool in the re-sale process by offering an accessible record of every detail and aspect of the home—from floor plans to appliance serial numbers. *MyBeazerHome* is a convergence of our strong customer and e-commerce commitments.

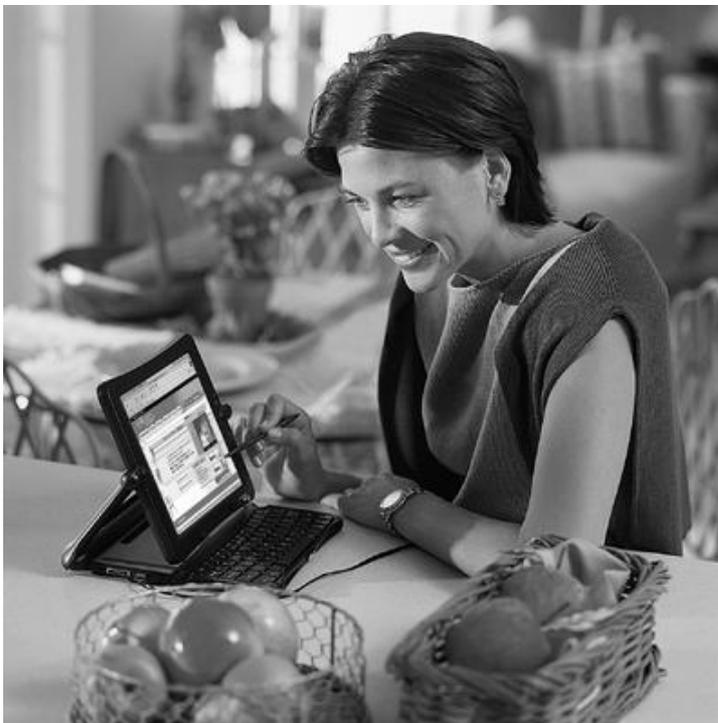
MyBeazerHome adds efficiencies to the marketing process and we believe will create revenue potential for us from advertising, referral and transaction fees. And, most important, it can serve as a lifetime link to each and every homebuyer, giving Beazer the inside track on his or her future home purchases.

MyBeazerHome is the virtual extension of our customer-centered philosophy that has long been a mainstay of our physical operations.

CLINK—At Beazer, it's a sound that doesn't fade away.

What a concept!





Everything I need to know about my home and my new community in one place—and no paper clutter!

community. A two-minute walk to the pool. Kids are living in the yard. Dog is next. Wow. Can hardly wait until we're ready to move up and do it again.

11



Ian J. McCarthy
President and Chief Executive Officer

Brian C. Beazer
Chairman of the Board



Dear Shareholders,

Click, Bam, Clink. You're hearing us grow! Something we have done for yet another year. And, it was *another* great year. During the past 12 months, we attracted a record number of homebuyers to our communities; extended our business; achieved our best financial performance in history; and, perhaps most importantly, made significant progress on the technological initiatives that are revolutionizing the way we do business. Whether at a sales center, construction site or closing table, the sound of growth is loud and clear.

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But our growth to date is just the beginning of the Beazer story. Today, the Company is among the most, if not the most, committed homebuilder in implementing e-commerce initiatives across our operations. What can you expect from us as we link the virtual and physical aspects of our business through our "Clicks & Sticks" strategy? You can expect margin expansion through new efficiencies and productivity gains. You can expect more homes sold, but less

marketing dollars spent. And, you can expect us to have an expanded revenue base and more repeat customers as we utilize *MyBeazerHome.com* to establish an unprecedented level of loyalty between homebuyer and homebuilder.

Top Line Grows, Bottom Line Soars

In the preceding pages, you've *heard* a lot about our growth. To *see* this growth, however, look no further than the income statement. Revenues for fiscal 2000 climbed to a record \$1.5 billion. During the year, we sold 8,228 homes, more than three times the number we sold in 1993, the year before our IPO. This volume has led to a record \$576 million sales value of homes in backlog at year-end. Even more important than the volume increases—EBITDA (earnings before interest, taxes, depreciation and amortization) increased to \$106 million, yielding a 22% increase in earnings to \$5.05 per share.

Our record level of profitability reflects not only revenue gains, but also better operating profit margins. In 2000, these margins increased 50 basis points over fiscal 1999 and 240 basis points over 1997 when we began our profit improvement initiatives. This improvement reflects increased efficiencies throughout our business that are the result of technology implementation and best practices utilized throughout the Company. Our continued ability to raise prices in most of our markets also fueled margin expansion. Strong sales in the profitable Washington, D.C. area helped drive this increase. Our success in Washington is one of the many benefits we have realized from our 1998 acquisition of Trafalgar House. Not only has this purchase provided us with a major presence in the

Letter to Shareholders

Financial Highlights [Beazer Homes USA, Inc.] (dollars in thousands, except per share amounts)

	Year ended September 30,		
	2000	1999	1998
Statement of Operations Data			
Homes closed	7,857	7,589	6,113
Total revenue	\$ 1,527,865	\$ 1,394,074	\$ 977,409
Net income	\$ 43,606	\$ 36,934	\$ 923,201
Diluted earnings per share	\$ 5.05	\$ 4.15	\$ 2.66
Balance Sheet at Year-End			
Total assets	\$ 698,879	\$ 594,568	\$ 525,591
Total debt	\$ 255,000	\$ 215,000	\$ 215,000
Shareholders' equity	\$ 270,538	\$ 234,662	\$ 199,224
Return on Data(1)			
Return on average capital	20.3%	19.9%	15.3%
Return on average equity	17.3%	17.0%	12.3%

(1) See definitions on page 20.

Mid-Atlantic region, but also it has performed above our 20% return on capital target.

Another significant driver of profitability in fiscal 2000 was increased revenue from our design centers. These revenues carry margins that are almost double our base home building business. Over the past year, options and upgrades have averaged over \$13,800 per home, more than twice the average spent per home when the design centers debuted three years ago. The success of this initiative is particularly satisfying as it serves our two most important constituencies. For customers, the design centers provide more choices, customized products and pricing flexibility. For shareholders, the concept increases profitability and expands our revenue base.

Improved profitability in fiscal 2000 drove our return on capital (ROC) over 20%, well in excess of the average for our industry. ROC continues to be a critical benchmark for us and a central part of our "Value Created" incentive plan.

While the income statement is clear evidence of our growth, other measures of performance during fiscal 2000 confirm our underlying financial strength and stability. These include a 48.5% debt-to-total capitalization at year-end and an interest coverage ratio of 3.4 times. Confirmation of our financial strength came during the year when Standard & Poor's upgraded our public debt and Moody's Investor Service gave us a positive outlook for an upgrade, following their upgrade in the previous year.

The strength of our balance sheet is even more impressive, given our land position. With developed land becoming an increasingly scarce resource, particularly in markets with strong economic and population growth, it is critical to maintain a strong land bank. We are fortunate to control the best supply of land in our history with approximately 28,000 lots or the equivalent to a 3.6-year supply. More than half of these lots are controlled through options that give us the right, but not the obligation, to acquire them. This arrangement allows us to benefit from the likely appreciation of optioned lots, while limiting our exposure in the event of a downturn in demand. We regard our land options as "Real Options", giving us maximum flexibility and the ability to enjoy all of the upside while limiting our downside.

An Optimistic and Confident Industry Outlook

During this year, it has been frustrating for Beazer, and for our industry, to show phenomenal growth and to be in the strongest financial position ever, but to still be grossly undervalued by the public markets. We capitalized on this situation, however, through a 500,000 share re-purchase program. We purchased 6% of our common stock at an average price of \$18.38 per share, a 41% discount to our year-end book value of \$31.35 per share.

We are very optimistic about the future of Beazer and our industry. Short term, our confidence is based on the record backlog of 2,929 homes, representing a record \$576 million in sales value at year-end, up 20% over last year. This increase is a clear indication that our business remains very strong. Long term, our optimism is based on the same two simple facts that have driven Beazer's rapid growth to date. First, Americans have a deep desire to own their own home—a desire that is arguably one of the foundations of our society. This is not going to change. Second, positive population and demographic trends are expected to continue throughout the next decade.

According to research by the Joint Center for Housing Studies of Harvard University, the country will continue to add 1.0 to 1.2 million new households annually over the next decade. Much of this growth will be from non-traditional sources, such as expanding minority and immigrant populations, many of whom are first-time buyers—Beazer's primary target market. Children of baby boomers, also known as echo boomers, will increase the number of young adults, who are prime candidates for starter homes. In addition, lifestyle trends, in particular telecommuting and other home-based work options, are placing more importance than ever on the desire for home ownership.

14

Right Place, Right Price, Right Product

Beazer remains ideally positioned to capitalize on these housing demand trends:

- We are in the right places. Our business is geographically diversified throughout 13 states with no single state accounting for more than 19% of closings. More importantly, our markets are in areas of strong economic growth, in particular the fast growing regions of the West and South.
- We target the right customer at the right price. Our primary focus is on affordability for the first-time buyer for several reasons. This is a largely under-served segment of the market. The younger age profile of this group also ties in well with our increasing Internet-related marketing initiatives. It is the perfect basis to establish a customer relationship that we believe can span years, if not a lifetime.
- We are building the right product. In addition to our core entry-level and first move-up home products, our portfolio is expanding to meet challenging market needs. We are developing creative solutions to smart growth issues in both suburban and in-town locations. For example, our innovative "Live/Work 2001" project will be featured at the National Association of Home Builders' International Builders' Show in Atlanta, Georgia in February 2001. We strongly believe that homebuilders such as Beazer should actively participate in responsible land planning and community growth.

Revolutionary Change, Bold Predictions

Going forward, we are confident that our prospects for growth and prosperity will remain strong. Also, you've read that the technological side of our business is undergoing radical change. On the next pages of this report, you will hear more about these changes and their implementation from our e-Synergy team. This group is charged with making sure that we integrate our technological initiatives across all markets and all divisions within the Company. Through the widespread use of technology, we expect to re-define the traditional role of a homebuilder. Quite simply, our goal is to transform our role from a one-time, one-dimensional "homebuilder" into a permanent, multi-dimensional "home resource provider" for our customers. In the process, we can create long-term value for our shareholders through sustained revenue growth, improved margin potential and more diverse, and thus stable, income streams.

These are bold predictions. But they match our bold goals. As we stated in 1999, our five-year plan was to more than double earnings per share by 2004. This translates into \$9.00 earnings per share in 2004. Our 22% EPS growth in 2000 puts us ahead of our plan in achieving this target. While we work toward the achievement of this goal, we appreciate your continued support and the support of every one of our employees who will help make our goals a reality.

Cover your ears. It's going to get even noisier around here.

Letter to Shareholders

Very truly yours,



Brian C. Beazer
Chairman of the Board
December 8, 2000



Ian J. McCarthy
President and Chief Executive Officer

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Hear About It From Our e-Synergy Team

Beazer's e-Synergy team is an integrated network of e-commerce champions, led at the corporate level by Peter Simons, Senior Vice President, e-Business Development; Carla Collinge, Vice President and Chief Technology Officer; and Vance Lofton, Director of Information Systems. The team also consists of representatives from each of our divisional offices who bring a cross-section of functional and geographical expertise to bear on our e-commerce initiatives.

How exactly does the e-Synergy team work at Beazer?

Peter: The e-Synergy team is responsible for the implementation of our "Clicks & Sticks" initiatives, combining the virtual and physical aspects of our business. The corporate team members—armed with our information technology and housing industry knowledge—research and develop Internet-based solutions for the various aspects of our business. The team members in the field provide us with a reality check on these initiatives, and also generate new ideas from their respective markets. It is a powerful combination and has produced great results.

Can you give us specific examples?

Vance: Sure. The Land Web—an on-line repository of land acquisition information—came from our Florida division and has spread to other markets. Another example is *WorkWithBeazer.com* which started in our Las Vegas division and will soon be adopted nationally.

What force was behind the Company's early embrace of and continued commitment to the Internet and electronic commerce?

Carla: We were one of the first builders to anticipate that the Internet was going to be the buyer's avenue of choice to search for homes and therefore we were one of the early adopters. Beazer has had an active Internet presence since 1995. Once we understood how much sense the medium made from the customer's point of view, we knew we had to be there in a big way. We set out to give the buyer all the information we could in the initial stage of their home search, when they can cover so much ground and gather so much information just by sitting in front of their computer. It was just a natural.

How has *www.beazer.com* changed since its initial launch in 1995 and how does it compare to other builder sites?

Vance: We are in our third release of *beazer.com* and currently add upgrades every month to make the site even more transactional and interactive. We feel it is a very robust site, and apparently so do others. Donaldson Lufkin & Jenrette (DLJ), a major investment firm, recently gave us the highest score of the 11 public homebuilders' websites that they reviewed in their May 2000 report.

What is next for Beazer's e-commerce strategy?

Peter: Our current major B2C initiative is *MyBeazerHome.com*, a personalized website we are creating for every Beazer customer. This site will be groundbreaking in the industry. *MyBeazerHome* will connect customers directly to sales agents, mortgage managers and design centers through our data warehouse and provide them links to the community where they are moving.

MyBeazerHome certainly seems to be a great tool for the customer. Will it also add value to the Company?

Peter: Definitely. Homebuying is often a stressful experience. If we can improve our customers' buying experience and give them numerous value-added services, both before and after closing, we will exceed their

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Peter Simons, Senior Vice President, e-Business Development

Carla Collinge, Vice President and Chief Technology Officer

Vance Lofton, Director of Information Systems

expectations and make them intensely loyal to Beazer. We will also be able to utilize the *MyBeazerHome* platform to generate referral, advertising and transaction revenues as we service our customer needs.

How do you plan to make sure your customers have access to the latest technology?

Vance: We have partnered with Dynamic Telecom Engineering (DTE) to provide fiber optic high-speed Internet access to every home in our communities nationwide. This will ensure all our buyers have easy and rapid access to *MyBeazerHome.com*. In addition, Beazer will share in the revenues for these and other telecommunication services provided by DTE.

You are very focused on the customer with your B2C initiatives. What is happening in the B2B field?

Carla: *WorkWithBeazer.com* is a site that links Beazer to its suppliers and contractors to coordinate scheduling, invoicing and other functions. We're currently developing it in the Las Vegas market. We are also testing a wireless communication application that links to *WorkWithBeazer*, providing real-time connectivity between our back office systems and field operations.

Peter: We are implementing our B2B strategy in conjunction with strategic partners, including BuildNet, who is developing an exchange for the homebuilding industry. We are taking a key role and made an equity investment in BuildNet to strengthen this relationship. Our strategy is not to be a venture fund for dot-com start-ups but, rather, to be a strategic partner with technology companies who offer breakthrough technology that we can integrate into our business.

With this commitment to technology, you will require people with technological skills. How does a builder "wire" its work force?

Vance: We recognize that we have to be progressive in training our employees through Business to Employee or B2E initiatives if we want to fully maximize the benefits of our B2C and B2B initiatives. We established Beazer University two years ago and are now enhancing our learning process through on-line training programs developed in conjunction with Arthur Andersen's Virtual Learning Network.

Why have you chosen to form an e-Synergy team within Beazer versus forming a separate company devoted to your e-commerce initiatives?

Carla: Our Internet strategy is not an ancillary business for us. It is an integral part of our business. The Internet is touching every corner of the Company and transforming every function, ranging from the initial on-line surveys used for our market research through the whole selling and construction process to the on-line warranty request used by our customer service representatives.

We want to facilitate deep integration of e-initiatives throughout all of our systems and processes because we feel that all parts of the business can operate more efficiently and profitably through the use of technology.

No area of our business is left untouched by the browser.

Building Hope Through HomeAid

Every year Beazer builds thousands of homes for our customers. As the first National Builder Sponsor of HomeAid America, we're also building hope for the temporarily homeless. HomeAid America, a public-private partnership of homebuilders, community leaders and service providers, was formed in 1989. Its purpose is to build and renovate shelters to be owned and operated by non-profit care providers that serve the temporarily homeless. One of our primary roles as a national sponsor is to help HomeAid expand nationwide and also to bring in additional sponsors. To date, the organization has utilized the talents of 30,000 volunteers and invested over \$30 million to build 55 shelters nationwide.

"Over the years, Beazer Homes' example as an outstanding Corporate Citizen has been second to none. Your team has cared enough to put your time, talents and treasure on the line to make a difference in peoples' lives where it counts," says L.C. "Bob" Albertson, Jr., the Founding President of HomeAid America.

The Children's
Receiving Home
Sacramento, California



Among the many projects that Beazer has helped to make a reality is the Children's Receiving Home in Sacramento, California. The home, completed this year, provides a haven for young children who are escaping a violent or abusive environment. In 2000, Beazer also was involved with other companies in building the Inland Community Children's Ranch in California's Riverside County. The 10-acre ranch will be a safe environment for children who are healing from abuse. The success of these shelters is a result of a combined effort among Beazer employees, suppliers and contractors. We are now extending this team effort into Arizona, Florida, Texas and Virginia and, eventually, to all of our markets nationwide.

"When you spend every day building homes you can easily forget that simply having a roof over your head at night is only a dream for many people," notes Jerry Gates, President of Beazer's Southern California division and a member of the HomeAid Board of Directors. "As a company and as individuals, we're delighted to help make that dream come true, just as we make the dream of home ownership come true for so many other families."

Inland Community
Children's Ranch
Riverside County,
California



Selected Financial Data
[Beazer Homes USA, Inc.]

	Year ended September 30,				
	2000	1999	1998	1997	1996
(dollars in thousands, except per share amounts)					
Statement of Operations Data:					
Total revenue	\$ 1,527,865	\$ 1,394,074	\$ 977,409	\$ 852,110	\$ 866,627
Operating income	75,623	61,800	36,916	17,656 (1)	30,122
Net income	43,606	36,934	23,201	11,189 (1)	18,266
Net income per common share:					
Basic	5.28	4.59	3.27	1.18 (1)	2.24
Diluted	5.05	4.15	2.66	1.15 (1)	2.01
Balance Sheet Data:					
Cash	\$ —	\$ —	\$ 67,608	\$ 1,267	\$ 12,942
Inventory	629,663	532,559	405,095	361,945	320,969
Total assets	698,879	594,568	525,591	399,595	356,643
Total debt	255,000	215,000	215,000	145,000	115,000
Stockholders' equity	270,538	234,662	199,224	179,286	178,701
Supplemental Financial Data:					
EBIT(2)	\$ 99,189	\$ 86,013	\$ 56,525	\$ 33,051 (1)	\$ 45,327
EBITDA(2)	106,041	91,521	59,794	35,272 (1)	46,855
Interest incurred	30,897	26,874	21,259	16,159	14,176
EBIT/interest incurred	3.21x	3.20x	2.66x	2.05x	3.20x
EBITDA/interest incurred	3.43x	3.41x	2.81x	2.18x	3.31x
Financial Statistics(3):					
Total debt as a percentage of total debt and stockholders' equity	48.5%	47.8%	51.9%	44.7%	39.2%
Asset turnover	2.36x	2.49x	2.11x	2.25x	2.47x
EBIT margin	6.5%	6.2%	5.8%	3.9%	5.2%
Return on average assets	15.3%	15.4%	12.2%	8.7%	12.9%
Return on average capital	20.3%	19.9%	15.3%	10.7%	15.8%
Return on average equity	17.3%	17.0%	12.3%	6.3%	10.6%

(1) Fiscal 1997 results include the effect of a \$6,326 writedown to inventory in Nevada. Excluding the effect of the writedown, operating income, net income and diluted net income per share for fiscal 1997 are \$23,982, \$15,079 and \$1.70, respectively. Excluding the effect of the writedown, EBIT and EBITDA for fiscal 1997 are \$39,377 and \$41,598, respectively. Excluding the effect of the writedown, EBIT margin, return on assets, return on capital and return on equity for fiscal 1997 are 4.6%, 10.4%, 12.7% and 8.4%.

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

(3) 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 stockholders' equity).

Financial Information

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**Management's Responsibility
for Financial Reporting and System of Internal Controls
[Beazer Homes USA, Inc.]**

Financial Statements

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

The Company's consolidated financial statements have been audited by Deloitte & Touche LLP, independent auditors, who were given unrestricted access to all financial records and related data. The Company believes that all representations made to the independent auditors during their audit were valid and appropriate. Deloitte & Touche LLP's audit report included on page 42 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 control system as of September 30, 2000 in relation to criteria for effective internal control over preparation of its published annual (and interim) financial statements described in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commissions. Based on this assessment, the Company believes that, as of September 30, 2000, its system of internal controls over the preparation of its published annual (and interim) financial statements met these criteria. Deloitte & Touche LLP also reviews and tests the effectiveness of these systems to the extent they deem necessary to determine the extent of audit procedures needed in connection with their audit of the consolidated financial statements.

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



Ian J. McCarthy
President and Chief Executive
Officer




David S. Weiss
Executive Vice President and Chief Financial
Officer

Michael Rand
Vice President and Controller

**Operations Review/
Management's Discussion and Analysis
[Beazer Homes USA, Inc.]**

[General]

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

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

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

Most of our homes are designed to appeal to entry-level and first-time move-up homebuyers and are generally offered for sale in advance of their construction. Once a sales contract has been signed, 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 these 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.

Ancillary Businesses: We have established several businesses to support our core homebuilding operations. We operate design centers in the majority of our markets. Through design centers, homebuyers can choose non-structural upgrades and options for their new home. We also provide mortgage origination services for our homebuyers through Beazer Mortgage Corp. Beazer Mortgage originates, processes and sells mortgages to third-party investors. Beazer Mortgage does not retain or service the mortgages that it originates. We also provide title insurance to our homebuyers in many of our markets. During fiscal 2000, we formed an insurance agency to provide homeowners and other insurance to our homebuyers. We will continue to evaluate opportunities to provide other ancillary services to our homebuyers.

Investment in Unconsolidated Joint Venture: We have a non-controlling interest in Premier Communities, a joint venture with Corporacion GEO S.A.CV, a Mexican homebuilder, to build affordable housing in the United States. The joint venture has experienced losses since its inception in 1997 and is now in the process of winding down. Included in other expense for the year ended September 30, 2000 is a \$3.3 million charge, for the write-off of our now impaired investment in the joint venture and our expected obligation to fund certain letters of credit we have issued to guarantee our share of the outstanding indebtedness of the joint venture. In addition to the charge for the costs of winding down the joint venture, other expense includes \$2.8 million for the year ended September 30, 2000 and \$2.1 million for the year ended September 30, 1999, respectively, for our share of the joint venture's operating losses. We currently do not expect to record further charges relating to the winding down of the joint venture in the future.

Value Created: We evaluate our financial performance and the financial performance of our operations using **Value Created**, a variation of economic profit or economic value added. **Value Created** measures the extent to which we exceed our cost of capital. It is calculated as earnings before interest and taxes (EBIT) less a charge for all of the capital employed multiplied by our estimate of our minimum weighted average cost of capital (currently 14%). Most of our employees receive incentive compensation based upon a combination of **Value Created** and the change in **Value Created** during the year. For key managers, a portion of the incentive is put in a bank. This portion is always at risk and may be paid out over three years. We believe that our **Value Created** system encourages managers to act like owners, rewards profitable growth and focuses attention on long-term loyalty and performance.

Results of Operations

Year ended September 30,

	2000		1999		1998
	Amount	% Change	Amount	% Change	Amount
Number of new orders, net of cancellations(1):					
Southeast Region:					
Georgia	249	27.7%	195	(9.3)%	215
North Carolina	797	(14.0)	927	11.6	831
South Carolina	519	3.0	504	(2.7)	518
Tennessee	407	(10.0)	452	(9.8)	501
Florida	920	(4.5)	963	17.0	823
Total Southeast	2,892	(4.9)	3,041	5.3	2,888
Southwest Region:					
Arizona	1,099	(9.0)	1,208	(22.2)	1,552
California	1,857	43.1	1,298	3.2	1,258
Nevada	437	10.9	394	(9.4)	435
Total Southwest	3,393	17.0	2,900	(10.6)	3,245
Central Region:					
Texas	695	43.3	485	(35.2)	749
Mid-Atlantic Region:					
Maryland	326	7.6	303	n/a(2)	
New Jersey/Pennsylvania	222	16.2	191	n/a	
Virginia	700	13.8	615	n/a	
Total Mid-Atlantic	1,248	12.5	1,109	n/a	
Total	8,228	9.2%	7,535	9.5%	6,882
Backlog at end of year:					
Southeast Region:					
Georgia	116	93.3%	60	(34.8)%	92
North Carolina	153	(39.5)	253	11.9	226

South Carolina	107	(39.5)	177	(2.7)	182
Tennessee	107	(10.8)	120	(22.1)	154
Florida	392	0.8	389	13.7	342
Total Southeast	875	(12.4)	999	0.3	996
Southwest Region:					
Arizona	381	(17.5)	462	(3.3)	478
California	586	185.9	205	12.6	182
Nevada	182	52.9	119	43.4	83
Total Southwest	1,149	46.2	786	5.8	743
Central Region:					
Texas	259	25.7	206	(35.2)	318
Mid-Atlantic Region:					
Maryland	128	(16.9)	154	n/a	
New Jersey/Pennsylvania	110	1.9	108	n/a	
Virginia	408	33.8	305	n/a	
Total Mid-Atlantic	646	13.9	567	n/a	
Total	2,929	14.5%	2,558	24.4%	2,057

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Number of closings:

Southeast Region:					
Georgia	193	(15.0)%	227	36.7%	166
North Carolina	897	(0.3)	900	15.8	777
South Carolina	589	15.7	509	14.4	445
Tennessee	420	(13.6)	486	13.6	428
Florida	917	(7.0)	986	45.6	677
Total Southeast	3,016	(3.0)	3,108	24.7	2,493
Southwest Region:					
Arizona	1,180	(3.6)	1,224	(8.4)	1,336
California	1,475	15.7	1,275	10.5	1,154
Nevada	375	4.7	358	(27.1)	491
Total Southwest	3,030	6.1	2,857	(4.2)	2,981
Central Region:					
Texas	642	7.5	597	(6.6)	639
Mid-Atlantic Region:					
Maryland	352	15.0	306	n/a	
New Jersey/Pennsylvania	220	4.3	211	n/a	
Virginia	597	17.1	510	n/a	
Total Mid-Atlantic	1,169	13.8	1,027	n/a	
Total	7,857	3.5%	7,589	24.1%	6,113

Homebuilding Revenues:

Southeast region	\$ 517,879	(0.1)%	\$ 518,589	30.6%	\$ 396,954
Southwest region	597,990	13.5	526,931	17.2	449,766
Central region	114,119	6.9	106,767	(2.3)	109,298
Mid-Atlantic region	268,208	19.6	224,270	n/a	
Total	\$ 1,498,196	8.8%	\$ 1,376,557	44.0%	\$ 956,018

Average sales price per home closed:

Southeast region	\$ 171.7	2.9%	\$ 166.9	4.8%	\$ 159.2
Southwest region	197.4	7.0	184.4	22.2	150.9
Central region	177.8	(0.6)	178.8	4.6	171.0
Mid-Atlantic region	229.4	5.0	218.4	n/a	

Total	\$	190.7	5.1%	\$	181.4	16.0%	\$	156.4
Number of active subdivisions at year-end:								
Southeast region		118	6.3%		111	(1.8)%		113
Southwest region		68	7.9		63	6.8		59
Central region		28	7.7		26	(16.1)		31
Mid-Atlantic region		41	0.0		41	n/a		
Total		255	5.8%		241	18.7%		203

(1) New orders for 1999 and 1998 do not include 555 and 96 homes in backlog, respectively, from acquired operations.

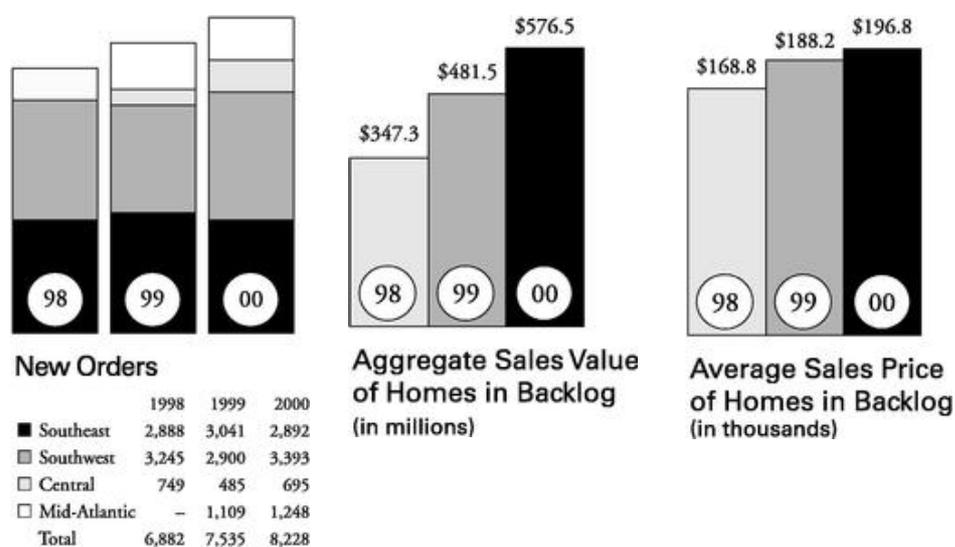
(2) n/a Percentage change is not applicable. We entered the Mid-Atlantic region in December 1998 by acquiring the assets of the homebuilding operations of Trafalgar House Property, Inc.

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Operations Review/ Management's Discussion and Analysis [Beazer Homes USA, Inc.]

New Orders by Fiscal Year:

New orders increased in both of the last two years. These increases resulted from Beazer taking advantage of strong economic conditions in most of the markets where we operate by increasing our investment in those markets. In particular, the Company's California operations took advantage of strongly rebounding markets in that state. The overall increase in new orders in 2000 and 1999 is also attributable to the growth of the Mid-Atlantic region, entered via acquisition in December 1998. Over the past two years, the Company has actively raised prices to increase margins (despite rising labor and materials costs) in most of its markets. This resulted in declines in new order levels in certain markets. In addition, we believe that increased competition contributed to a decline in new orders in the Southeast region in 2000.



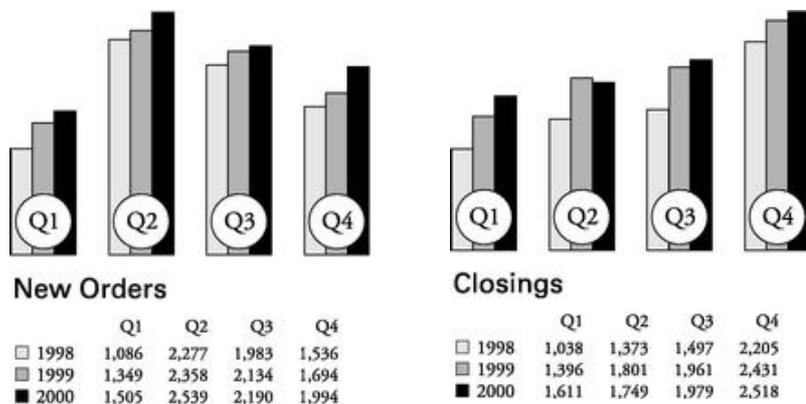
The fundamentals that drive sales activity are numerous and varied. On a macro level, low unemployment, high consumer confidence and stable mortgage interest rates each contribute to a positive general homebuilding environment in a market. Our ability to stay ahead of changing customer preferences and local demographic trends with our product mix and to maintain adequate product supply (as measured by the number of active subdivisions) contributes locally to new order trends. **Backlog:** The increases in unit backlog in each of the past two years reflect the favorable homebuilding environment driving new order activity. The increases in aggregate dollar value also reflect our ability to raise prices in most markets and the additional revenues realized through use of design centers.

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Seasonality and Quarterly Variability:

Our homebuilding operating cycle generally reflects escalating new order activity in the Company's second and third fiscal quarters and higher closings in the third and fourth quarters. 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.

The following chart presents certain unaudited quarterly operating data for the Company's last 12 fiscal quarters and is indicative of this seasonality.



Financial Results:

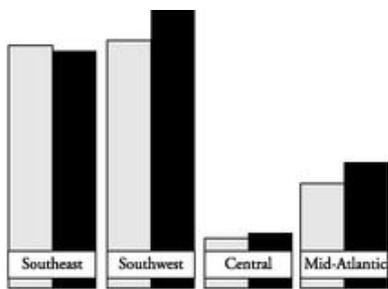
The following table provides additional details of revenues and certain expenses included in the Company's consolidated statements of operations.

	Year ended September 30,		
	2000	1999	1998
	(in thousands)		
Revenues:			
Homebuilding	\$ 1,498,196	\$ 1,376,557	\$ 956,018
Land and lot sales	19,017	10,553	16,834
Mortgage origination	17,671	13,059	8,295
Intercompany elimination—mortgage	(7,019)	(6,095)	(3,738)
Total revenue	\$ 1,527,865	\$ 1,394,074	\$ 977,409
Cost of home construction and land sales:			
Homebuilding	\$ 1,248,099	\$ 1,151,460	\$ 799,425
Land and lot sales	14,838	8,077	15,516
Intercompany elimination—mortgage	(7,019)	(6,095)	(3,738)
Total cost of home construction and land sales	\$ 1,255,918	\$ 1,153,442	\$ 811,203
Selling, general and administrative:			
Homebuilding operations	\$ 157,794	\$ 145,201	\$ 105,946
Mortgage origination operations	10,826	8,162	4,313
Total selling, general and administrative	\$ 168,620	\$ 153,363	\$ 110,259

Operations Review/ Management's Discussion and Analysis continued [Beazer Homes USA, Inc.]

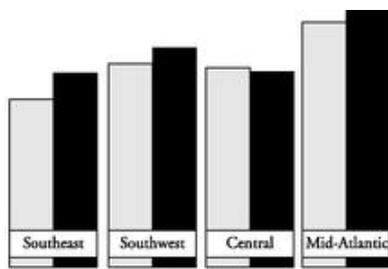
Revenues:

In fiscal 2000, we experienced revenue increases in each of our Southwest, Central and Mid-Atlantic regions and a slight decrease in our Southeast region. Revenues in the Southwest and Central regions increased due to the increase in home closings. The increase in the Southwest is also the result of increases in average sales price. The increase in the Mid-Atlantic is a result of the region's results being included for a full 12 months in fiscal 2000 versus only 10 months in fiscal 1999, along with an increase in the average sales price per home closed. The decrease in the average sales price of homes closed in the Central region is a result of our increased focus on the first-time buyer and first move-up segments in Texas.



Total Revenues by Region
(in millions)

	Southeast	Southwest	Central	Mid-Atlantic
□ 1999	\$518.6	\$526.9	\$106.8	\$224.3
■ 2000	\$517.9	\$598.0	\$114.1	\$268.2



Average Sales Price by Region
(in thousands)

	Southeast	Southwest	Central	Mid-Atlantic
□ 1999	\$166.9	\$184.4	\$178.8	\$218.4
■ 2000	\$171.7	\$197.4	\$177.8	\$229.4

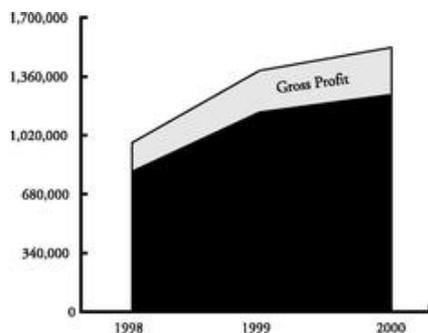
The increase in homebuilding revenues for the year ended September 30, 1999 compared to the year ended September 30, 1998 is the result of both an increase in the average price per home closed and increases in the number of homes closed. The increase in average price is largely attributable to sales price increases during fiscal 1999 in several markets and higher revenue contributions from upgrades sold through our design centers. Our Mid-Atlantic region contributed \$224 million in revenue in the 10 months following completion of the acquisition of Trafalgar House in December 1998.

Consistent with our stated policy of reducing our investment in markets and projects that are not meeting or exceeding our overall cost of capital, we executed several land sales during the past three fiscal years. We realized profits of \$4.2 million, \$2.5 million and \$1.3 million on such land sales in fiscal 2000, 1999 and 1998, respectively.

Cost of Home Construction and Land Sales:

The increase in gross margins in each of the last two fiscal years is the result of continued expansion of the Company's profitability initiatives, specifically the sale of upgrades and options through design centers and mortgage origination operations. The gross margin on upgrades and options sold through our design centers are significantly higher than our base homebuilding business, averaging 25% to 30%. Mortgage origination operations contribute to gross margin improvements by directing payment of certain closing costs and discounts to Beazer Mortgage rather than a third-party lender. In

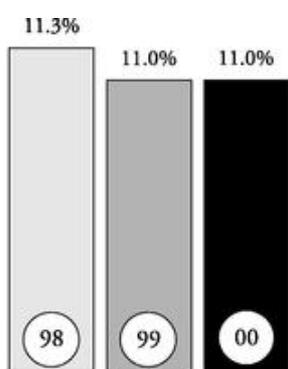
addition, a strong general economic environment has allowed us to raise sales prices in most of our markets, thereby reducing the impact of rising labor and materials costs.



Cost of Home Construction and Land Sales
(dollars in thousands)

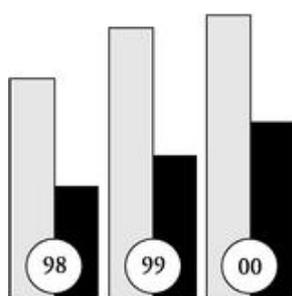
	1998	1999	2000
□ Revenues	\$977,409	\$1,394,074	\$1,527,865
■ Cost of home construction and land sales	\$811,203	\$1,153,442	\$1,255,918
Gross Margin	17.0%	17.3%	17.8%

Selling, General and Administrative Expense:



During fiscal 1998, we made significant investments in improving our information systems and opening mortgage origination operations and design centers. Many of these up-front costs were expensed, resulting in an increase in SG&A as a percentage of revenues. The efficiencies and savings associated with these initiatives contributed to the reduction of SG&A as a percentage of revenues in fiscal 1999. In addition, in fiscal 1999, a higher level of revenues allowed us to achieve more leverage off the fixed portion of SG&A.

Mortgage Origination Operations:



Number of Mortgages Originated

	1998	1999	2000
Total Closings	6,113	7,589	7,857
BMC Originations	3,100	3,896	4,887
Capture Rate	51%	51%	62%

During fiscal 1999 and 2000, we expanded our mortgage origination operations, resulting in a higher capture rate (Beazer Mortgage originations as a percentage of total home closings). In fiscal 2000, we opened a centralized processing center for our mortgage operations that we believe will contribute to increased efficiency in those operations in the future.

Income Taxes:

Income taxes for fiscal 2000, 1999 and 1998 were provided at effective rates of 39.0%, 39.0% and 38.1%, respectively. Slight fluctuations in our effective tax rate are the result of variations in state income tax rates.

Financial Condition and Liquidity:

At September 30, 2000, Beazer had \$40 million in outstanding borrowings under our \$250 million unsecured revolving credit facility. We fulfill our short-term cash requirements with cash generated from our operations and funds available from our unsecured revolving credit facility. Available borrowings under this credit agreement are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable. At September 30, 2000, we had available additional borrowings of \$186 million under the credit agreement.

During fiscal 2000, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to 500,000 shares of our outstanding common stock. Using borrowings under the credit facility, we completed the plan and repurchased 500,000 shares during 2000, on the open market for an aggregate purchase price of \$9.2 million.

During the year ended September 30, 1999, we utilized borrowings under the credit facility of approximately \$90.0 million for the acquisition of the residential homebuilding operations of Trafalgar House Property, Inc. All such borrowings for these acquisitions were repaid as of September 30, 1999.

At September 30, 2000, we had the following long-term debt (in thousands):

Debt	Due	Amount
8 ⁷ / ₈ % Senior Notes	April 2008	\$ 100,000
9% Senior Notes	March 2004	115,000
Credit Facility	November 2002	40,000
Total		\$ 255,000

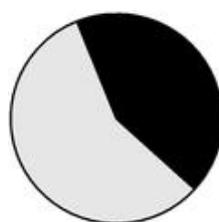
All significant subsidiaries of Beazer Homes USA, Inc. are guarantors of the Senior Notes and our obligations under the credit facility and are jointly and severally liable for our obligations under the Senior Notes and the credit facility. Separate financial statements and other disclosures concerning each of the significant subsidiaries are not included, as the aggregate assets, liabilities, earnings and equity of the subsidiaries equal such amounts for the Company on a consolidated basis and separate subsidiary financial statements are not considered material to investors. The total assets, revenues and operating profit of the non-guarantor subsidiaries are in the aggregate immaterial to the Company on a consolidated basis. Neither the credit facility nor the Senior Notes restrict distributions to Beazer Homes USA, Inc. by its subsidiaries. At September 30, 2000, under the most restrictive covenants of each indenture, approximately \$63.8 million of our retained earnings was available for cash dividends and for share repurchases.

Operations Review/

Management's Discussion and Analysis [Beazer Homes USA, Inc.]

Land Bank:

We attempt to maintain approximately a three-year supply of land, with half or more controlled through options. At September 30, 2000, we controlled 28,046 lots (a 3.6-year supply, based on fiscal 2000 closings), with 12,010 lots owned and 16,036 lots under option. At September 30, 2000, we had commitments with respect to option contracts with specific performance obligations of approximately \$31.7 million. We expect to exercise all of our option contracts with specific performance obligations and, subject to market conditions, substantially all of our options contracts without specific performance obligations. As a result of the flexibility that these options provide us, upon a change in market conditions we may renegotiate the terms of the options prior to their ultimate exercise.



Land Bank

	Lots
□ Optioned	16,036
■ Owned	12,010
Total	28,046

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

During fiscal 1999, we induced the conversion of 1,997,836 shares of our then outstanding preferred stock into common stock. We paid an aggregate of \$1.3 million in cash as a part of the inducement transactions. The 2,164 shares of preferred stock not converted into common stock were redeemed for cash (including accrued and unpaid dividends) of \$26.678 per preferred share. We currently have no shares of preferred stock outstanding. By inducing conversion of the preferred stock we were able to simplify our capital structure and eliminate our annual \$4 million cash dividend.

We believe that our current borrowing capacity at September 30, 2000 and anticipated cash flows from operations are sufficient to meet liquidity needs for the foreseeable future.

Recent Accounting Pronouncements:

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, and for hedging activities by requiring that all derivatives be recognized in the balance sheet and measured at fair value. We believe that the adoption of SFAS 133 will not have a significant effect on our financial position or financial statement disclosures. SFAS 133 (as now amended) is effective for our fiscal year beginning October 1, 2000.

Outlook:

We are optimistic about our prospects for fiscal 2001 and confident about our long-term prospects. As a result of increased backlog at September 30, 2000, we expect home closings to increase in fiscal 2001 and based on the projected profitability on the homes in backlog we expect our gross and operating profit margins for fiscal 2001 to exceed those for fiscal 2000. Based upon these factors we currently target achieving earnings of \$5.75 to \$6.00 per share for fiscal 2001. Over the long term, we believe projected population growth and, subsequently, household formation will drive demand for housing, especially in the growth states in which we operate. We continue to refine and improve the construction process with technology, invest in our people through education and explore new ways to expand our revenue base and reduce our costs using the Internet. All the while, we are maintaining financial discipline through the framework of our Value Created incentive plan. Our five-year plan, introduced in fiscal 1999, targets delivering 15,000 home closings and earning over \$9.00 per diluted share by fiscal 2001.

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

Certain of the statements contained in this report, including those under "Outlook" and "Financial Condition," constitute "forward-looking statements" within the meaning of the federal securities laws. These statements include short-term and long-term targets for home closings and earnings per share. While we believe that these statements are accurate, our business is dependent upon general economic conditions and is subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. The most significant factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, the following:

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

Consolidated Statements of Income

[Beazer Homes USA, Inc.]

	Year ended September 30,		
	2000	1999	1998
(in thousands, except per share amounts)			
Total revenue	\$ 1,527,865	\$ 1,394,074	\$ 977,409
Costs and expenses:			
Home construction and land sales	1,255,918	1,153,442	811,203
Amortization of previously capitalized interest	27,704	25,469	19,031
Selling, general and administrative	168,620	153,363	110,259
Operating income	75,623	61,800	36,916
Other (expense)/income, net	(4,138)	(1,256)	578
Income before income taxes	71,485	60,544	37,494
Provision for income taxes	27,879	23,610	14,293
Net Income	\$ 43,606	\$ 36,934	\$ 23,201
Dividends and other payments to preferred stockholders	\$ —	\$ 3,343	\$ 4,000
Net income applicable to common stockholders:			
Basic	\$ 43,606	\$ 33,591	\$ 19,201
Diluted	\$ 43,606	\$ 36,934	\$ 23,201
Weighted average number of shares:			
Basic	8,254	7,320	5,864
Diluted	8,630	8,895	8,731

Net income per common share:

Basic	\$	5.28	\$	4.59	\$	3.27
Diluted	\$	5.05	\$	4.15	\$	2.66

*

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

[Beazer Homes USA, Inc.]

	September 30,	
	2000	1999
	(dollars in thousands, except per share amounts)	
Assets:		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable	23,087	21,416
Inventory	629,663	532,559
Deferred tax asset	9,506	5,714
Property, plant and equipment, net	12,206	13,102
Goodwill, net	7,250	8,051
Other assets	17,167	13,726
Total Assets	\$ 698,879	\$ 594,568
Liabilities and Stockholders' Equity:		
Liabilities:		
Trade accounts payable	\$ 72,212	\$ 54,860
Other liabilities	101,129	90,046
Revolving credit facility	40,000	—
Senior Notes	215,000	215,000
Total Liabilities	428,341	359,906
Stockholders' Equity:		
Preferred stock (par value \$.01 per share, 5,000,000 shares authorized, no shares issued)	—	—
Common stock (par value \$.01 per share, 30,000,000 shares authorized, 12,275,851 and 12,266,149 issued, 8,483,824 and 8,974,122 outstanding)	123	123
Paid in capital	195,134	194,528
Retained earnings	141,094	97,488
Unearned restricted stock	(4,609)	(5,494)
Treasury stock, at cost (3,792,027 and 3,292,027 shares)	(61,204)	(51,983)
Total Stockholders' Equity	270,538	234,662
Total Liabilities and Stockholders' Equity	\$ 698,879	\$ 594,568

* See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

[Beazer Homes USA, Inc.]

	Preferred Stock	Common Stock	Paid in Capital	Retained Earnings	Unearned Restricted Stock	Treasury Stock	Total
	(dollars in thousands)						
Balance, September 30, 1997	\$ 20	\$ 93	\$ 187,798	\$ 44,802	\$ (1,444)	\$ (51,983)	\$ 179,286
Issuance of restricted stock (238,000 shares)			4,805		(4,805)		—
Amortization of unearned restricted					611		611

stock								
Preferred stock dividends paid				(4,000)				(4,000)
Vesting of restricted stock		126						126
Net Income				23,201				23,201
Balance, September 30, 1998	20	93	192,729	64,003	(5,638)	(51,983)		199,224
Issuance of restricted stock (137,604 shares)			789		(789)			—
Amortization of unearned restricted stock			138		933			1,071
Stock options exercised		1	202					203
Vesting of restricted stock		2	677					679
Dividends and other payments to preferred stockholders				(3,449)				(3,449)
Conversion and redemption of preferred stock	(20)	27	(7)					—
Net Income				36,934				36,934
Balance, September 30, 1999	—	123	194,528	97,488	(5,494)	(51,983)		234,662
Issuance of restricted stock (52,128 shares)			255		(255)			—
Amortization of unearned restricted stock			240		1,140			1,380
Vesting of restricted stock			111					111
Purchase of treasury stock (500,000 shares)						(9,221)		(9,221)
Net Income				43,606				43,606
Balance, September 30, 2000	\$ —	\$ 123	\$ 195,134	\$ 141,094	\$ (4,609)	\$ (61,204)		\$ 270,538

* See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

[Beazer Homes USA, Inc.]

	Year ended September 30,		
	2000	1999	1998
	(in thousands)		
Cash flows from operating activities:			
Net Income	\$ 43,606	\$ 36,934	\$ 23,201
Adjustments to reconcile net income to net cash (used)/provided by operating activities:			
Depreciation and amortization	6,852	5,508	3,269
Provision for deferred income taxes	(3,792)	(2,431)	340
Changes in operating assets and liabilities, net of effects from acquisitions:			
Increase in inventory	(97,104)	(23,129)	(26,220)
Increase/(decrease) in trade accounts payable	17,352	(17,258)	15,824
Increase in other accrued liabilities	11,083	34,440	18,344
Other	3,277	219	(7,609)
Net cash (used)/provided by operating activities	(18,726)	34,283	27,149
Cash flows from investing activities:			
Capital expenditures	(3,775)	(4,104)	(5,775)
Investment in unconsolidated joint ventures	(8,030)	(2,100)	(1,200)
Acquisitions, net of cash acquired		(91,800)	(16,766)
Net cash used by investing activities	(11,805)	(98,004)	(23,741)
Cash flows from financing activities:			
Proceeds from issuance of 8 ⁷ / ₈ % Senior Notes			100,000
Net borrowings under revolving credit facility	40,000		(30,000)
Debt issuance costs	(248)	(438)	(3,067)
Cash dividends paid on preferred stock		(3,449)	(4,000)

Stock repurchases		(9,221)	
Net cash provided/(used) by financing activities	30,531	(3,887)	62,933
(Decrease)/increase in cash	—	(67,608)	66,341
Cash and cash equivalents at beginning of year	—	67,608	1,267
Cash and cash equivalents at end of year	\$ —	\$ —	\$ 67,608
Supplemental cash flow information:			
Interest paid	\$ 29,244	\$ 25,356	\$ 20,379
Income taxes paid	\$ 31,533	\$ 25,909	\$ 14,533

* See Notes to Consolidated Financial Statements

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Notes To Consolidated Financial Statements

[Beazer Homes USA, Inc.]

1 [Summary of Significant Accounting Policies]

Organization—Beazer Homes USA, Inc. is one of the largest single-family homebuilders in the United States based on number of homes closed. We design, build and sell single-family homes in 35 markets located in Arizona, California, Florida, Georgia, Maryland, Nevada, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas and Virginia. We also provide mortgage origination services for our homebuyers through Beazer Mortgage Corp. ("Beazer Mortgage"). In addition, we provide title services to our homebuyers in many of our markets. During fiscal 2000, we formed an insurance agency to provide homeowners and other insurance to our homebuyers.

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

Cash and Cash Equivalents—We consider investments with maturities of three months or less when purchased to be cash equivalents. Included in trade accounts payable are book overdrafts of \$20.1 million and \$8.9 million at September 30, 2000 and 1999, respectively.

Inventory—Inventory consists solely of residential real estate developments. Interest, real estate taxes and development costs are capitalized in inventory during the development and construction period.

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

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

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

Income Recognition and Classification of Costs—Income from the sale of residential units or land parcels is recognized when closings have occurred and the risk of ownership is transferred to the buyer. Sales commissions are included in selling, general and administrative expense.

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

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

Advertising costs of \$16,545,000, \$14,349,000 and \$12,113,000 for fiscal years 2000, 1999 and 1998, respectively, are expensed as incurred.

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 \$801,000, \$801,000 and \$736,000 for the years ended September 30, 2000, 1999 and 1998, respectively. Accumulated

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amortization was \$4,787,000 and \$3,986,000 at September 30, 2000 and 1999, respectively. In the event that facts and circumstances indicate that the carrying value of goodwill may be impaired, an evaluation of recoverability is performed. The evaluation compares the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a writedown to discounted cash flow value is required.

Other Liabilities—Other liabilities include homebuyer deposits, land purchase obligations, accrued compensation and various other accrued expenses.

Fair Value of Financial Instruments—The historical carrying amount of short-term financial instruments is a reasonable estimate of fair value. The fair value of our publicly held debt is estimated based on the quoted bid prices for these debt instruments. The fair values of our publicly held debt were approximately \$206

million at September 30, 2000.

Earnings Per Share—The computation of basic earnings per common share is determined by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share additionally gives effect (when dilutive) to stock options, stock awards, and the assumed conversion of convertible preferred stock.

Segment Reporting—We conduct homebuilding operations which specialize in the design, construction, and sale of residential housing across several different geographic regions of the United States. As these geographic activities have similar characteristics, they have been aggregated into one reportable segment—the homebuilding segment.

Stock-Based Compensation—As described in Note 12, we have elected to follow the intrinsic value method to account for compensation expense related to the award of stock options and to furnish the pro forma disclosures required under SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Since our stock option awards are granted at prices no less than the fair-market value of the shares at the date of grant, no compensation expense is recognized. Compensation expense related to restricted stock awards is determined at the date of grant, recorded as unearned compensation expense and amortized over the vesting period of the awarded shares. The unearned compensation expense related to such awards is reflected as a reduction of stockholders' equity.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other Assets—Other assets include prepaid expenses, debt issuance costs and investments in unconsolidated entities, including minority investments in technology ventures and our interest in a real estate development joint venture in northern Virginia.

We also have a non-controlling 49% equity method interest in Premier Communities, a joint venture with Corporacion GEO S.A. de C.V., a Mexican homebuilder, to build affordable housing in the United States. The joint venture has experienced losses since its inception in 1997 and is now in the process of winding down. Included in other expense for the year ended September 30, 2000 is a \$3.3 million charge to reflect the write-off of our remaining, now impaired, investment in the joint venture and our expected obligation to fund certain letters of credit we have issued to guarantee our share of

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the outstanding indebtedness of the joint venture. In addition to the charge for the costs of winding down the joint venture, other expense includes \$2.8 million for the year ended September 30, 2000 and \$2.1 million for the year ended September 30, 1999, respectively, for our share of the joint venture's operating losses. At September 30, 2000, we had \$2.7 million accrued for the winding down of the joint venture. We currently do not expect to record further charges relating to the winding down of the joint venture in the future.

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

Recent Accounting Pronouncements—In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, and for hedging activities by requiring that all derivatives be recognized in the balance sheet and measured at fair value. We believe that the adoption of SFAS 133 will not have a significant effect on our financial position or financial statement disclosures. FAS 133 (as now amended) is effective for our fiscal year beginning October 1, 2000.

2 [Acquisitions]

In December 1998, we acquired the assets and certain liabilities (approximately \$22 million) of the homebuilding operations of Trafalgar House Property, Inc. ("THPI") for approximately \$90 million in cash. The acquisition has been accounted for as a purchase; accordingly, the purchase price has been allocated to reflect the fair value of assets and liabilities acquired. This resulted in no goodwill. The following unaudited pro forma financial data give effect to our acquisition of THPI as if it had occurred on the first day of each period presented. The pro forma financial data is provided for comparative purposes only and is not necessarily indicative of the results which would have been obtained if the THPI acquisition had been effected during the periods presented.

	Year ended September 30,	
	1999	1998
	(in thousands, except per share amounts)	
Total revenues	\$ 1,429,016	\$ 1,169,501
Net income	37,650	29,053
Net income per share		
Basic	\$ 4.69	\$ 4.27
Diluted	4.23	3.33

In October 1998, we acquired the assets of Snow Construction, Inc. in Orlando, Florida for approximately \$1.8 million.

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3 [Inventory]

Inventory includes:

September 30,	
2000	1999

(in thousands)

Homes under construction	\$ 290,277	\$ 253,031
Development projects in progress	283,563	235,077
Unimproved land held for future development	12,325	4,539
Model homes	43,498	39,912
	<u> </u>	<u> </u>
Total	\$ 629,663	\$ 532,559
	<u> </u>	<u> </u>

Homes under construction include homes finished and ready for delivery and homes in various stages of construction. We had 296 completed homes (\$41.8 million) and 162 completed homes (\$27.1 million) that were not subject to a sales contract, not including model homes, at September 30, 2000 and 1999, respectively.

Development projects in progress consist principally of land and land improvement costs. Certain of the fully developed lots in this category are reserved by a deposit or sales contract.

Inventory located in California, the state with our largest concentration of inventory, was \$150.5 million and \$136.5 million at September 30, 2000, and 1999, respectively.

We acquire certain lots by means of option contracts. Option contracts generally require the payment of cash for the right to acquire lots during a specified period of time at a certain price. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, which aggregated approximately \$17.8 million and \$21.7 million at September 30, 2000 and 1999, 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 us and the sellers. Below is a summary of amounts committed under all options at September 30, 2000:

	Aggregate Purchase Price of Options
	<u> </u>
Options with specific performance	\$ 31,661
Options without specific performance	497,842
	<u> </u>
Total options	\$ 529,503
	<u> </u>

4 [Interest]

Information regarding interest is as follows:

	Year ended September 30,		
	2000	1999	1998
	<u> </u>		
	(in thousands)		
Capitalized interest in inventory, beginning of year:	\$ 10,488	\$ 9,083	\$ 6,855
Interest incurred and capitalized	30,897	26,874	21,259
Capitalized interest amortized to cost of sales	(27,704)	(25,469)	(19,031)
	<u> </u>	<u> </u>	<u> </u>
Capitalized interest in inventory, end of the year:	\$ 13,681	\$ 10,488	\$ 9,083
	<u> </u>	<u> </u>	<u> </u>

5 [Property, Plant and Equipment]

Property, plant and equipment consists of:

	September 30,	
	2000	1999
	<u> </u>	
	(in thousands)	
Land and buildings	\$ 967	\$ 1,372
Leasehold improvements	2,063	1,358
Machinery and equipment	7,512	4,979
Information systems	11,403	11,567
Furniture and fixtures	4,518	3,845
	<u> </u>	<u> </u>
	26,463	23,121
Less: Accumulated depreciation	14,257	10,019
	<u> </u>	<u> </u>
Property, plant and equipment, net	\$ 12,206	\$ 13,102
	<u> </u>	<u> </u>

6 [Revolving Credit Facility]

We maintain a revolving line of credit with a group of banks. The credit facility provides for up to \$250 million of unsecured borrowings. Borrowings under the credit facility generally bear interest at a fluctuating rate based upon the corporate base rate of interest announced by the lead bank, the federal funds rate or LIBOR. All outstanding borrowings will be due in November 2002. The credit facility contains various operating and financial covenants. Each of the significant subsidiaries is a guarantor under the credit facility.

Available borrowings under the credit facility are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable. At September 30, 2000 we had borrowings of \$40 million outstanding, and had available additional borrowings of \$186 million under the credit facility.

7 [Senior Notes]

In March 1998 we issued \$100 million of 8⁷/₈% Senior Notes due in April 2008 (the "8⁷/₈% Senior Notes") at a price of 99.183% of their face amount (before underwriting discount and other issuance costs). Interest on the 8⁷/₈% Senior Notes is payable semiannually. We may, at our option, redeem the 8⁷/₈% Senior Notes in whole or in part at any time after March 2003, initially at 104.438% of the

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principal amount, declining to 100% of the principal amount after March 2006. A portion of such notes may also be redeemed prior to April 2001 under certain conditions.

We also have outstanding \$115 million of 9% of Senior Notes which mature in March 2004 (the "9% Senior Notes"). Interest on the 9% Senior Notes is payable semiannually. We may, at our option, redeem the 9% Senior Notes in whole or in part at any time after February 1999, initially at 102.571% of the principal amount, declining to 100% of the principal amount after February 2001.

The 8⁷/₈% Senior Notes and the 9% Senior Notes are unsecured obligations ranking pari passu with all other existing and future senior indebtedness.

The indentures under which the 8⁷/₈% Senior Notes and the 9% Senior Notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At September 30, 2000, under the most restrictive covenants of each indenture, approximately \$63.8 million of our retained earnings was available for cash dividends and for share repurchases. Each indenture provides that, in the event of defined changes in control or if our consolidated tangible net worth falls below a specified level or in certain circumstances upon sale of assets, we are required to offer to repurchase certain specified amounts of outstanding Senior Notes.

8 [Income Taxes]

The provision for income taxes consists of:

	Year ended September 30,		
	2000	1999	1998
	(in thousands)		
Current:			
Federal	\$ 28,448	\$ 23,013	\$ 12,297
State	3,965	3,440	1,656
Deferred	(4,534)	(2,843)	340
Total	\$ 27,879	\$ 23,610	\$ 14,293

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

	Year ended September 30,		
	2000	1999	1998
	(in thousands)		
Income tax computed at statutory rate	\$ 25,020	\$ 21,189	\$ 13,123
State income taxes, net of federal benefit	2,615	2,236	1,077
Goodwill amortization	189	189	189
Other	55	(4)	(96)
Total	\$ 27,879	\$ 23,610	\$ 14,293

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets relate principally to differences between book and tax bases of inventory

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(as a result of the various acquisitions) and the timing of deductions for deferred compensation and accrued warranty costs. We believe that, based upon our history of profitable operations, it is more likely than not that our net deferred tax asset will be realized.

9 [Leases]

We are obligated under various noncancelable operating leases for office facilities and equipment. Rental expense under these agreements amounted to approximately \$5,992,000, \$5,381,000 and \$4,400,000 for the years ended September 30, 2000, 1999 and 1998, respectively. As of September 30, 2000, future minimum lease payments under noncancelable operating lease agreements are as follows:

Year ending September 30,	(in thousands)
2001	\$ 4,147
2002	3,406
2003	3,060
2004	2,146
2005	1,559
Thereafter	1,186
Total	\$ 15,504

10 [Stockholders' Equity]

Preferred Stock—During fiscal 1999 we induced the conversion of 1,997,836 shares of our then outstanding preferred stock into common stock. We paid an aggregate of \$1.3 million in cash as a part of the inducement transactions. The 2,164 shares of preferred stock not converted into common stock were redeemed for cash (including accrued and unpaid dividends) of \$26.678 per preferred share. We currently have no shares of preferred stock outstanding.

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

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

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

11 [Earnings Per Share]

Basic and diluted earnings per share are calculated as follows:

	Year ended September 30,		
	2000	1999	1998
	(in thousands, except per share amounts)		
Earnings:			
Net income	\$ 43,606	\$ 36,934	\$ 23,201
Less: Dividends and other payments to preferred stockholders	—	3,343	4,000
Net income applicable to common stockholders	\$ 43,606	\$ 33,591	\$ 19,201
Basic:			
Net income applicable to common stockholders	\$ 43,606	\$ 33,591	\$ 19,201
Weighted average number of common shares outstanding	8,254	7,320	5,864
Basic earnings per share	\$ 5.28	\$ 4.59	\$ 3.27
Diluted:			
Net income applicable to common stockholders	\$ 43,606	\$ 33,591	\$ 19,201
Add back: Payments to preferred stockholders	—	3,343	4,000
Adjusted net income applicable to common stockholders	\$ 43,606	\$ 36,934	\$ 23,201
Weighted average number of common shares outstanding	8,254	7,320	5,864

Effect of dilutive securities:			
Assumed conversion of Preferred Stock	—	1,232	2,625
Restricted stock	298	254	163
Options to acquire common stock	78	89	79
Diluted weighted average number of common shares outstanding	8,630	8,895	8,731
Diluted earnings per share	\$ 5.05	\$ 4.15	\$ 2.66

Options to purchase 276,370 and 18,000 shares of common stock were not included in the computation of diluted earnings per share for the years ended September 30, 2000 and 1999, respectively, because the options' exercise price was greater than the average market price of the common shares during those years.

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Notes To Consolidated Financial Statements (Continued)

[Beazer Homes USA, Inc.]

12 [Retirement Plan and Incentive Awards]

401(k) Retirement Plan—We sponsor a 401(k) Plan (the "Plan"). Substantially all employees are eligible for participation in the Plan after completing one month of service with us. Participants may defer and contribute to the Plan from 1% to 17% of their salary with certain limitations on highly compensated individuals. We match 50% of the first 6% of the participants contributions. The participant's contributions vest 100% immediately, while our contributions vest over five years. Our total contributions for the years ended September 30, 2000, 1999 and 1998 were approximately \$1,555,000, \$1,496,000 and \$876,000, respectively.

Stock Incentive Plans—During fiscal 2000, we adopted the 1999 Stock Incentive Plan (the "1999 Plan") which replaced the 1994 Stock Incentive Plan (the "1994 Plan"). We also have a Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan"). At September 30, 2000, we had reserved 2,275,000 shares of common stock for issuance under our various stock incentive plans and have 141,745 shares available for future grants.

Stock Option Awards—We have issued several stock option awards to officers and key employees under both the 1999 Plan and the 1994 Plan and to non-employee directors pursuant to the Non-Employee Director Plan. Stock options are generally exercisable at the fair market value on the grant date and may be exercised between 3-10 years from the date such options were granted.

Information regarding activity under our stock option plans is summarized as follows:

	Year ended September 30,					
	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options exercisable at end of year	806,000	\$ 18.50	808,500	\$ 18.39	560,500	\$ 17.57
Granted	564,643	20.64	18,000	23.13	248,000	20.19
Exercised			(20,500)	17.51		
Forfeited	(1,353)	17.75				
Options outstanding at end of year	1,369,290	\$ 19.37	806,000	\$ 18.50	808,500	\$ 18.39
Options exercisable at end of year	540,000	\$ 17.53	325,500	\$ 15.93	312,000	\$ 15.90

The following table summarizes information about stock options outstanding and exercisable at September 30, 2000:

Range of Exercise Prices]	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding	Weighted Average Contractual Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$13-\$16	155,000	4	\$ 14.11	155,000	\$ 14.11
\$16-\$19	469,920	8	17.61	165,000	17.38
\$19-\$22	468,000	8	20.12	220,000	20.05
\$22-\$25	276,370	10	24.01		

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We apply Accounting Principle Board Opinion No. 25 in accounting for our stock option plans and, accordingly, no compensation cost has been recognized for stock options in the accompanying financial statements. SFAS 123 requires disclosure of pro forma net earnings and pro forma net earnings per share as if the fair value based method had been applied in measuring compensation expense for awards granted since 1996. Reported and such pro forma net earnings and net income per share amounts are set forth below:

	Year ended September 30,		
	2000	1999	1998
	(in thousands, except per share amounts)		
Reported:			
Net income	\$ 43,606	\$ 36,934	\$ 23,201
Basic net income per share	\$ 5.28	\$ 4.59	\$ 3.27
Diluted net income per share	5.05	4.15	2.66
Pro forma:			
Net income	\$ 42,397	\$ 35,992	\$ 22,733
Basic net income per share	\$ 5.14	\$ 4.46	\$ 3.19
Diluted net income per share	4.91	4.04	2.60

The weighted average fair value of each option granted was \$10.08, \$11.61 and \$8.53 during the years ended September 30, 2000, 1999 and 1998, respectively. The fair values of options granted were estimated on the date of their grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

	Year ended September 30,		
	2000	1999	1998
Expected volatility	33.3%	37.6%	29.7%
Expected dividend yield	none	none	none
Risk-free interest rate	6.5%	5.5%	5.3%
Expected life (in years)	7.0	7.0	6.5

Other Stock Awards—We have made several restricted stock awards to officers and key employees under both the 1999 Plan and the 1994 Plan. All restricted stock is awarded in the name of each participant, who has all the rights of other common stockholders subject to restrictions and forfeiture provisions. Accordingly, all restricted stock awards are considered outstanding shares. Compensation expense recognized for such awards totaled \$1,140,000, \$933,000 and \$611,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

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Activity relating to restricted stock awards is summarized as follows:

	Year ended September 30,		
	2000	1999	1998
Restricted shares, beginning of period	381,624	371,624	186,500
Shares awarded		18,000	238,000
Shares forfeited		(4,226)	
Shares vested		(3,774)	(52,876)
Restricted shares, end of period	381,624	381,624	371,624

During 1998 we extended our incentive compensation plan (called the Value Created Incentive Plan), modeled under the concepts of economic profit or economic value added, to all key operating managers within the organization. Participants may receive a portion of their earned incentive compensation under the plan in our common stock (the "Bonus Restricted Stock"). Such shares are issued after a three-year vesting period at a discount to the stock's market value at the time the bonus is earned. Should the participant's employment terminate for any reason during the vesting period, this portion of the incentive compensation is settled in cash. We had 227,713, 191,578 and 118,408 shares of Bonus Restricted Stock issuable as of September 30, 2000, 1999 and 1998, respectively.

13 [Contingencies]

We had outstanding letters of credit and performance bonds of approximately \$31.6 million and \$119.8 million, respectively, at September 30, 2000, related principally to our obligations to local governments to construct roads and other improvements in various developments. We do not believe that any such letters of credit or bonds are likely to be drawn upon.

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

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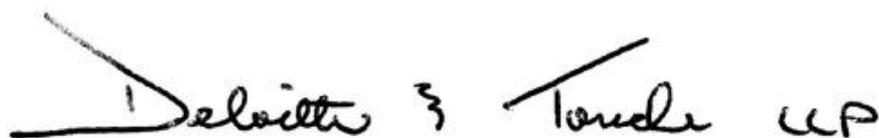
[Beazer Homes USA, Inc.]

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

We have audited the accompanying consolidated balance sheets of Beazer Homes USA, Inc. and subsidiaries as of September 30, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Beazer Homes USA, Inc. and subsidiaries at September 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America.



Atlanta, Georgia
November 1, 2000

Quarterly Data

Summarized quarterly financial information (unaudited):

[Beazer Homes USA, Inc.]

Quarter ended:	September 30	June 30	March 31	December 31
(in thousands, except per share amounts)				
Fiscal 2000:				
Total revenue	\$ 496,602	\$ 389,557	\$ 332,961	\$ 308,745
Operating income	26,503	20,943	14,979	13,201
Net income	16,689	10,574	8,826	7,517
<i>Net income per common share:</i>				
Basic	\$ 2.06	\$ 1.31	\$ 1.06	\$ 0.88
Diluted	1.94	1.26	1.02	0.85
Fiscal 1999:				
Total revenue	\$ 454,189	\$ 370,431	\$ 327,345	\$ 242,110
Operating income	24,005	16,964	13,191	7,662
Net income	13,911	10,252	8,085	4,683
<i>Net income per common share:</i>				
Basic	\$ 1.63	\$ 1.23	\$ 0.93	\$ 0.62
Diluted	1.57	1.15	0.84	0.53
Fiscal 1998:				
Total revenue	\$ 365,649	\$ 234,811	\$ 221,323	\$ 155,626
Operating income	19,158	8,814	6,135	2,808
Net income	11,956	5,621	3,805	1,819
<i>Net income per common share:</i>				
Basic	\$ 1.86	\$ 0.79	\$ 0.48	\$ 0.14
Diluted	1.37	0.67	0.44	0.14

Quarterly Stock Price Information:

2000 Period:				
High	\$ 27.3750	\$ 22.1875	\$ 20.2500	\$ 20.7500
Low	18.2500	17.4375	17.0625	15.6250

1999 Period:

High	\$	26.3750	\$	23.5000	\$	27.3750	\$	25.0000
Low		17.7500		21.8750		20.5000		17.0625

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Selected Financial and Operating Data: 1993-2000
[Beazer Homes USA, Inc.]

Year ended September 30,

	2000	1999	1998	1997	1996	1995	1994	1993
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(dollars in thousands, except per share amounts)

Financial Highlights:

Statement of Operations Data—

Total revenue	\$	1,527,865	\$	1,394,074	\$	977,409	\$	852,110	\$	866,627	\$	647,828	\$	536,526	\$	275,054
Earnings before interest and taxes ("EBIT")		00,99,189		86,013		56,525		33,051		45,327		32,188		37,169		22,713
Net income		00,43,606		36,934		23,201		11,189		18,266		11,352		16,468		16,046
Net income per common share:																
Basic	\$	5.28	\$	4.59	\$	3.27	\$	1.18	\$	2.24	\$	1.26	\$	1.78(1)		n/m
Diluted		5.05		4.15		2.66		1.15		2.01		1.23		1.76(1)		n/m

Balance Sheet Data at Year-End—

Total assets	\$	698,879	\$	594,568	\$	525,591	\$	399,595	\$	356,643	\$	345,240	\$	314,941	\$	245,349
Total debt		255,000		215,000		215,000		145,000		115,000		115,000		115,000		119,925
Stockholders' equity		270,538		234,662		199,224		179,286		178,701		164,544		150,406		95,595

Return Data—

Return on average assets		15.3%		15.4%		12.2%		8.7%		12.9%		9.8%		13.3%		14.6%
Return on average capital		20.3%		19.9%		15.3%		10.7%		15.8%		11.8%		15.5%		20.8%
Return on average equity		17.3%		17.0%		12.3%		6.3%		10.6%		7.2%		13.4%		16.6%
Book value per share(2)	\$	31.35	\$	26.38	\$	22.82	\$	20.14	\$	19.64	\$	18.88	\$	16.31		n/m

Operating Data:

Number of new orders, net of cancellations—(3)

Southeast region		2,892		3,041		2,888		1,969		2,048		2,083		1,726		1,392
Southwest region		3,393		2,900		3,245		2,817		3,172		2,660		1,902		1,071
Central region		695		485		749		765		401		98		—		—
Mid-Atlantic region		1,248		1,109		—		—		—		—		48		80
Total		8,228		7,535		6,882		5,551		5,621		4,841		3,676		2,543

Backlog at end of period:

Southeast region		875		999		996		505		580		708		478		437
Southwest region		1,149		786		743		479		680		722		506		677
Central region		259		206		318		208		166		53		—		—
Mid-Atlantic region		646		567		—		—		—		1		3		74
Total		2,929		2,558		2,057		1,192		1,426		1,484		987		1,188

Number of closings:

Southeast region		3,016		3,108		2,493		2,044		2,212		1,853		1,734		1,312
Southwest region		3,030		2,857		2,981		3,018		3,343		2,444		2,073		775
Central region		642		597		639		723		379		64		—		—
Mid-Atlantic region		1,169		1,027		—		—		1		2		119		6
Total		7,857		7,589		6,113		5,785		5,935		4,363		3,926		2,093

Average sales price per home closed:	\$	190.7	\$	181.4	\$	156.4	\$	146.8	\$	145.8	\$	148.5	\$	136.7	\$	131.4
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n/m

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

(1)

Pro forma to give effect to the initial public offering and related transactions, as if such transactions were effected as of October 1, 1993.

(2)

Book value per share is calculated as stockholders' equity divided by diluted weighted shares outstanding.

(3)

New orders do not include homes in backlog from acquired operations.

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At-A-Glance

[Beazer Homes USA, Inc.]

Southeast

We are optimistic about our opportunities to gain additional market share in Florida. Job growth and household formation remains strong in that state, fueled by both immigration and relocation from other states. We have developed strong positions in Tennessee and the Carolinas. We anticipate maintaining our positions in these markets and leveraging off the strong operations into satellite markets to expand volume opportunities. Having previously reduced our investment in Atlanta to improve our return on capital, we are now re-igniting growth in that market.

Southwest

Each of our Southwest markets remains strong. The overall California housing market continues to outperform and we are well positioned with a strong land bank in both northern and southern California to take advantage of opportunities. Our Arizona operations have been consistent performers in a strong Phoenix market. We anticipate that the market will remain robust and we have the land bank to continue our profitable performance. The Las Vegas market continues to enjoy strong growth and our operation there is now expanding to meet that growth.

Central

Population and household growth are expected to continue in Texas, fueled by immigration. We expect to continue to expand in this state, focusing especially on affordability for the first-time buyer segment.

Mid-Atlantic

We are extremely pleased with the performance of our Mid-Atlantic region, entered in fiscal 1999 by acquisition. This region of the country, and the metropolitan Washington, D.C. market in particular, continues to outpace the nation in housing growth. We have continued to allocate more capital to the expansion of this region and anticipate continued growth and profitability during the next several years.

State	Backlog at Year-end 2000	FY 2000 Closings	Active Subdivisions at Year-end	Average Price of Homes Closed in FY 2000
Georgia	116	193	9	\$ 200,000
North Carolina	153	897	28	132,700
South Carolina	107	589	15	133,900
Tennessee	107	420	23	206,500
Florida	392	917	43	212,300
Arizona	381	1,180	28	\$ 153,200
California	586	1,475	29	237,100
Nevada	182	375	11	179,700
Texas	259	642	28	\$ 177,800
Maryland	128	352	11	\$ 200,400
New Jersey/Pennsylvania	110	220	11	307,000
Virginia	408	597	19	218,000
Total	2,929	7,857	255	\$ 190,700

Beazer Homes Florida—Ft. Myers
11934 Fairway Lakes Drive
Fort Myers, FL 33913

Panitz Homes—Jacksonville
12854 Kenan Drive
Suite 100
Jacksonville, FL 32258

Phillips Builders—Knoxville
211B Sherway Road
Knoxville, TN 37922

Beazer Homes—Columbia
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Suite 103
Columbia, SC 29210

Beazer Homes Florida—Tampa
5911 Breckenridge Parkway
Suite H
Tampa, FL 33610

Beazer Homes—Georgia
3975 Johns Creek Court
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Suwanee, GA 30024

Beazer Homes—Charlotte
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Charlotte, NC 28212

Beazer Homes—Raleigh
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Suite 101
Raleigh, NC 27612

Beazer Homes Florida—Orlando
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Altamonte Springs, FL 32701-5260

Phillips Builders—Nashville
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Nashville, TN 37204

Beazer Homes—Charleston
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Southern California
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Orange, CA 92868

Beazer Homes California—
Northern California
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Suite 240
Las Vegas, NV 89119

Beazer Homes Texas—
Dallas/Fort Worth
5900 West Plano Parkway
Suite 700
Plano, TX 75093

Beazer Homes Texas—Houston
10235 West Little York
Suite 240
Houston, TX 77040

Beazer Homes—Maryland
8965 Guilford Road
Suite 290
Columbia, MD 21046

Beazer Homes—New Jersey
250 Phillips Boulevard
Suite 290
Trenton, NJ 08618

Beazer Homes—Virginia
14901 Bogle Drive
Suite 100
Chantilly, VA 20151

Board of Directors

[Beazer Homes USA, Inc.]

Brian C. Beazer, 65, is the Non-Executive Chairman of the Company's Board of Directors and has served as a Director of the Company since its inception in November 1993. Mr. Beazer began work in the construction industry in the late 1950s. He served as Chief Executive Officer of Beazer PLC, a company organized under the laws of the United Kingdom, or its predecessors, from 1968 to 1991, and Chairman of that company from 1983 to the date of its acquisition by an indirect, wholly owned subsidiary of Hanson PLC (effective December 1, 1991). During that time, Beazer PLC expanded its activities to include homebuilding, quarrying, contracting and real estate, and became an international group with annual revenue of approximately \$3.4 billion, employing 28,000 people at December 1991. Mr. Beazer was educated at Cathedral School, Wells, Somerset, England. Mr. Beazer is also a Director of Beazer Japan, Ltd., Seal Mint, Ltd., Jade Holdings Pte. Ltd., Jade Technologies Singapore Pte. Ltd., FSM Europe B.V., United Pacific Industries Limited and U.S. Industries, Inc., and is a private investor.

Thomas B. Howard, Jr., 72, was appointed a Director of the Company on November 2, 1995. Mr. Howard held various positions with Gifford-Hill & Company, a construction and aggregates company, from 1969 to 1986 and served as its Chairman and Chief Executive Officer from 1986 to 1989. Gifford-Hill & Company 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 from 1957 to 1969, Mr. Howard held various positions with Vulcan Materials Company. Mr. Howard holds a degree in Industrial Engineering from Georgia Institute of Technology. Mr. Howard currently serves on the Board of Trustees of the Methodist Hospitals Foundation and previously served as a Director of Lennox International, Inc., Director of the Dallas Chamber of Commerce and member of the Dallas Citizens Council.

Ian J. McCarthy, 47, is the President and Chief Executive Officer of the Company and has served as a Director of the Company since the Company's initial public offering of common stock (the "IPO") in March 1994. Mr. McCarthy has served as President of predecessors of the Company since January 1991 responsible for all United States residential homebuilding operations in that capacity. During the period May 1981 to January 1991, Mr. McCarthy was employed in Hong Kong and Thailand becoming a Director of Beazer Far East and, from January 1980 to May 1981, was employed by Kier, Ltd., a company engaged in the United Kingdom construction industry which became an indirect, wholly owned subsidiary of Beazer PLC. Mr. McCarthy is a Chartered Civil Engineer with a Bachelor of Science degree from The City University, London. Mr. McCarthy currently serves as a Director of HomeAid's National Advisory Board.

George W. Mefferd, 73, has served as a Director of the Company since the IPO. Mr. Mefferd had previously been retired since 1986. During the period 1974 to 1986, Mr. Mefferd held various positions with Fluor Corporation, an engineering and construction company, including Senior Vice President—Finance, Treasurer, Group Vice President and Chief Financial Officer. Additionally, Mr. Mefferd served on Fluor Corporation's Executive Committee and Board of Directors. Mr. Mefferd earned a Bachelor of Science degree in Business Administration from the University of California, Los Angeles.

D.E. Mundell, 68, has served as a Director of the Company since the IPO. Mr. Mundell is currently an advisor and director of ORIX USA Corporation, a financial services company, and served as Chairman of ORIX from 1991 to 1999. During the period from 1959 to 1990, Mr. Mundell held various positions within United States Leasing International, Inc., retiring as Chairman in 1990. Mr. Mundell attended the Royal Military College of Canada, McGill University and Harvard Business School. Mr. Mundell is also Chairman of Varian, Inc., and a Director of Stockton Holdings LTD and ORIX USA Corporation.

Larry T. Solari, 58, has served as a Director of the Company since the IPO. Mr. Solari is the Chairman and CEO of BSI Holdings, Inc., Carmel, California. Mr. Solari was the Chairman and CEO

of Sequentia, Inc. from 1996 to 1997. Mr. Solari was the President of the Building Materials Group of Domtar, Inc. from 1994 to 1996. Mr. Solari was the President of the Construction Products Group of Owens-Corning Fiberglas from 1986 to 1994. In that capacity he had been the Chief Operating Officer responsible for key company lines, such as building insulation and roofing materials. Mr. Solari held various other positions with Owens-Corning Fiberglas since 1966. Mr. Solari earned a Bachelor of Science degree in Industrial Management and a Master of Business Administration degree from San Jose State University. Mr. Solari is a Director of BSI Holdings, Inc., Pacific Coast Building Products, Inc., Therma-Tru, Inc., ANECO Inc. and PCG Holdings and 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 Home Builders Association.

David S. Weiss, 40, is the Executive Vice President and Chief Financial Officer of the Company and has served as a Director of the Company since the IPO. Mr. Weiss served as the Assistant Corporate Controller of Hanson Industries, the United States arm of Hanson PLC, for the period from February 1993 to March 1994. Mr. Weiss was Manager of Financial Reporting for Colgate-Palmolive Company from November 1991 to February 1993 and was with the firm of Deloitte & Touche from 1982 to November 1991, at which time he served as a Senior Audit Manager. Mr. Weiss holds a Master of Business Administration degree from the Wharton School and undergraduate degrees in Accounting and English from the University of Pennsylvania. Mr. Weiss is a licensed Certified Public Accountant.

Operating and Corporate Management

[Beazer Homes USA, Inc.]

[Operating Management]

			Years in Homebuilding	Years in Market
Southeast Region				
Florida	Leon J. Panitz, Jr.	Division President, Panitz Homes	25	22
	Christin Cupp	Division President, Mid-Florida Division	18	18
	David Byrnes	Division President, Orlando Division	21	21
Georgia	Jim Parker	Executive Vice President, Georgia Division	11	7
North & South Carolina	Gary N. Baucom	Regional President, North and South Carolina	29	29

North Carolina	Scott K. Thorson	Senior Division President, Charlotte Division	17	6
	Robert J. Polanco	Division President, Raleigh Division	23	8
South Carolina	Frank L. Finlaw	Division President, Charleston Division	23	8
Tennessee	H. Eddie Phillips	Regional President, Phillips Builders—Nashville	33	33
	Curt Hathaway	Division President, Phillips Builders—Knoxville	18	2
Southwest Region				
Arizona	Joseph C. Thompson	Regional President, Arizona Division	29	29
California	Anthony R. Tonso	Senior Division President, Northern California Division	32	11
	Gerald A. Gates	Regional President, Southern California Division	28	23
Nevada	Kent Lay	Division President, Nevada Division	18	8
Central Region				
Texas	Kurt S. Watzek	Division President, Houston Division	23	23
	Mike Henry	Division President, Dallas Division	24	20

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Mid-Atlantic Region				
Maryland	David L. Carney	Division President, Maryland Division	22	22
New Jersey/ Pennsylvania	Michael J. Neill	Division President, New Jersey Division	23	14
Virginia	Donald W. Knutson	Senior Division President, Virginia Division	14	9
		Average	23	16

[Corporate Management]

Ian J. McCarthy	Michael T. Rand
President & Chief Executive Officer	Vice President, Corporate Controller
David S. Weiss	Jennifer P. Jones
Executive Vice President & Chief Financial Officer	Vice President, Human Resources
Michael H. Furlow	J. William Montgomery
Executive Vice President & Chief Operating Officer	Vice President, Internal Audit
John Skelton	Carla J. Collinge
Senior Vice President, Financial Planning	Vice President & Chief Technology Officer
Peter H. Simons	Edmond G. Snider, Jr.
Senior Vice President, E-Business Development	Vice President, Training & Safety
C. Lowell Ball, Esq.	Ron J. Kuhn
Senior Vice President, General Counsel	Beazer Mortgage Corp.
Cory J. Boydston	Executive Vice President & Chief Operating Officer
Vice President, Financial Services & Treasurer	

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Shareholder and Corporate Information [Beazer Homes USA, Inc.]

Corporate Headquarters	Beazer Homes USA, Inc. 5775 Peachtree Dunwoody Road Suite B 200 Atlanta, Georgia 30342 Telephone: (404) 250-3420 www.beazer.com
General Counsel	C. Lowell Ball, Esq., Senior Vice President, General Counsel
Independent Auditors	Deloitte & Touche LLP
Inquiries	Individuals seeking financial data should contact David S. Weiss, Executive Vice President and Chief Financial Officer or Lauren L. Bingham, Director of Financial Reporting & Investor Relations. 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, or can be accessed @beazer.com.
Annual Meeting	The Annual Stockholders' meeting will be held at 10:00 am EST on February 1, 2001 at our offices at 5775 Peachtree Dunwoody Road, Suite B 200, Atlanta, Georgia 30342.
Transfer Agent	American Stock Transfer & Trust Company 40 Wall Street New York, New York 10005 (212) 936-5100
Trading Information	Beazer Homes USA, Inc. lists its common shares on the New York Stock Exchange, under the symbol "BZH." On December 8, 2000, the last reported

sales price of the Company's Common Stock on the New York Stock Exchange was \$36.00.

Duplicate Mailings

If you are receiving duplicate or unwanted copies of our publications, please contact American Stock Transfer & Trust Company at the number listed or contact Lauren L. Bingham, Director of Financial Reporting and Investor Relations, at Beazer Homes.

Beazer Homes USA is the builder of Live/Work 2001, *BUILDER* Magazine's featured project at the 2001 National Association of Home Builders' International Builders' Show in Atlanta.

This visionary project, designed by world-renowned New geared towards the changing demographics in today's cities. These plans allow their owners to work and live in the same building, and evolve with their changing lifestyle and business needs, all in very livable, contemporary homes. This project addresses two pressing challenges in today's society — accommodating people's desire to work from home with the latest technology and helping cities attract new housing downtown. To get updates on the Live/Work 2001 project prior to its unveiling at the February 9-11, 2001 NAHB Show, visit www.livework2001.com.

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[Quarterly Data Summarized quarterly financial information \(unaudited\); \[Beazer Homes USA, Inc.\]](#)

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[Shareholder and Corporate Information \[Beazer Homes USA, Inc.\]](#)

Subsidiaries of the Company:

Name	Jurisdiction of Incorporation
Beazer Mortgage Corporation	Delaware
Beazer Homes Corp.	Tennessee
Beazer Homes Sales Arizona, Inc.	Delaware
Beazer Realty Corp.	Georgia
Beazer/Squires Realty, Inc.	North Carolina
Beazer Homes Holdings Corp.	Delaware
Beazer Homes Texas Holdings, Inc.	Delaware
Beazer Homes Texas, LP	Texas
Beazer Realty, Inc.	New Jersey
Homebuilders Title Services, Inc.	Delaware
Texas Lone Star Title, LP	Texas
Homebuilders Title Services of Virginia, Inc.	Virginia
Universal Solutions Insurance Agency, Inc.	Delaware
Security Title Insurance Co.	Vermont
United Home Insurance Co.	Vermont

QuickLinks

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No.33-91904 and No. 333-24765 of Beazer Homes USA, Inc. on Form S-8 of our report dated November 1, 2000 incorporated by reference in the Annual Report on Form 10-K of Beazer Homes USA, Inc. for the year ended September 30, 2000.

DELOITTE & TOUCHE LLP

Atlanta, Georgia
December 21, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR	SEP-30-2000	OCT-01-1999	SEP-30-2000
			0
		0	
	23,087		
		0	
	629,663		
	0		26,463
	14,257		
	698,879		
	0		255,000
	0		
		0	
		123	
		270,415	
698,879			
		1,527,865	
	1,527,865		
		1,283,622	
	1,452,242		
	4,138		
	0		
	0		
	71,485		
		27,879	
	43,606		
		0	
		0	
			0
		43,606	
		5.28	
		5.05	

THE COMPANY PRESENTS A CONDENSED BALANCE SHEET.