

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20594

FORM 10-Q

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

For the Quarterly Period Ended June 30, 1996  
or

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

Commission File Number 001-12822

BEAZER HOMES USA, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

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

5775 Peachtree Dunwoody Road, Suite C-550, Atlanta, Georgia  
(Address of principal executive offices)

30342  
(Zip Code)

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

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

YES [X]                      NO [ ]

| Class<br>-----                    | Outstanding at August 9, 1996<br>----- |
|-----------------------------------|--|
| Common Stock, \$0.01 par value    | 6,594,350 shares                       |
| Preferred Stock, \$0.01 par value | 2,000,000 shares                       |

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FORM 10-Q

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PART I. FINANCIAL INFORMATION

BEAZER HOMES USA, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(dollars in thousands, except per share data)

|  | JUNE 30,<br>1996<br>---- | SEPTEMBER 30,<br>1995<br>---- |
|--|--------------------------|-------------------------------|
|  | (UNAUDITED)              |                               |
| ASSETS   |                          |                               |
| Cash and cash equivalents  | \$ 952                   | \$ 40,407                     |
| Accounts receivable  | 4,396                    | 2,842                         |
| Inventory  | 359,355                  | 285,268                       |
| Property, plant and equipment, net   | 2,585                    | 1,323                         |
| Goodwill, net  | 6,339                    | 6,745                         |
| Other assets   | 9,877                    | 8,655                         |
|  | -----                    | -----                         |
| Total assets   | \$383,504                | \$345,240                     |
|  | =====                    | =====                         |
| LIABILITIES AND STOCKHOLDERS' EQUITY   |                          |                               |
| Trade accounts payable   | \$ 28,091                | \$ 40,111                     |
| Other payables and accrued liabilities   | 35,201                   | 25,585                        |
| Revolving credit facility  | 32,000                   | ---                           |
| Senior notes   | 115,000                  | 115,000                       |
|  | -----                    | -----                         |
| Total liabilities  | 210,292                  | 180,696                       |
| Stockholders' equity:  |                          |                               |
| Preferred stock (par value \$.01 per share,<br>5,000,000 shares authorized, 2,000,000<br>issued and outstanding; \$50,000<br>aggregate liquidation preference) | 20                       | 20                            |

|   |           |           |
|---|-----------|-----------|
| Common stock (par value \$.01 per share,<br>30,000,000 shares authorized, 9,343,619<br>issued, 6,594,350 and 6,547,850 outstanding) | 93        | 93        |
| Paid in capital   | 188,089   | 187,698   |
| Retained earnings   | 31,726    | 23,347    |
| Unearned restricted stock   | (2,009)   | (1,907)   |
|   | -----     | -----     |
|   | 217,919   | 209,251   |
| Less treasury stock, at cost<br>(2,749,267 shares)  | (44,707)  | (44,707)  |
|   | -----     | -----     |
| Total stockholders' equity  | 173,212   | 164,544   |
|   | -----     | -----     |
| Total   | \$383,504 | \$345,240 |
|   | =====     | =====     |

See Notes to Condensed Consolidated Financial Statements

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BEAZER HOMES USA, INC.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(dollars in thousands, except per share data)

|  | THREE MONTHS<br>ENDED JUNE 30, |           | NINE MONTHS<br>ENDED JUNE 30, |           |
|--|--------------------------------|-----------|-------------------------------|-----------|
|  | 1996                           | 1995      | 1996                          | 1995      |
|  | ----                           | ----      | ----                          | ----      |
| Total revenue  | \$217,065                      | \$151,377 | \$571,800                     | \$377,224 |
| Costs and expenses:                                  |                                |           |                               |           |
| Home construction and land sales                     | 183,776                        | 130,908   | 483,610                       | 322,267   |
| Interest   | 3,860                          | 3,386     | 10,637                        | 8,035     |
| Selling, general and administrative                  | 21,450                         | 14,759    | 58,658                        | 38,765    |
|  | -----                          | -----     | -----                         | -----     |
| Operating income                                     | 7,979                          | 2,324     | 18,895                        | 8,157     |
| Other income   | 50                             | 37        | 71                            | 234       |
|  | -----                          | -----     | -----                         | -----     |
| Income before income taxes                           | 8,029                          | 2,361     | 18,966                        | 8,391     |
| Provision for income taxes                           | 3,212                          | 944       | 7,587                         | 3,356     |
|  | -----                          | -----     | -----                         | -----     |
| Net income   | \$ 4,817                       | \$ 1,417  | \$ 11,379                     | \$ 5,035  |
|  | =====                          | =====     | =====                         | =====     |
| Preferred dividends                                  | \$ 1,000                       | ---       | \$ 3,000                      | ---       |
| Net income applicable to<br>common stockholders      | \$ 3,817                       | \$ 1,417  | \$ 8,379                      | \$ 5,035  |
| Weighted average number of<br>shares (in thousands): |                                |           |                               |           |
| Primary  | 6,481                          | 9,088     | 6,487                         | 9,202     |
| Fully-diluted  | 9,105                          | ---       | 9,111                         | ---       |
| Net income per share:                                |                                |           |                               |           |
| Primary  | \$0.59                         | \$0.16    | \$1.29                        | \$0.55    |
| Fully-diluted  | \$0.53                         | ---       | \$1.25                        | ---       |

See Notes to Condensed Consolidated Financial Statements

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BEAZER HOMES USA, INC.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

|   | NINE MONTHS ENDED JUNE 30, |          |
|---|----------------------------|----------|
|   | 1996                       | 1995     |
|   | ----                       | ----     |
| Cash flows from operating activities:   |                            |          |
| Net income  | \$ 11,379                  | \$ 5,035 |
| Adjustments to reconcile net income to net cash used by operating activities: |                            |          |
| Depreciation and amortization   | 1,080                      | 766      |
| Changes in operating assets and liabilities, net of effects of acquisitions   | (59,988)                   | (61,872) |
|   | -----                      | -----    |
| Net cash used by operating activities   | (47,529)                   | (56,071) |
|   | -----                      | -----    |
| Cash flows from investing activities:   |                            |          |
| Capital expenditures  | (1,345)                    | (403)    |
| Purchase of Trendmaker Homes - Dallas   | (16,887)                   | ---      |
| Purchase of Gulfcoast Homes   | (2,694)                    | ---      |
| Purchase of Bramalea Homes Texas, net of cash acquired                        | ---                        | (3,212)  |
| Purchase of Treasure Coast Division   | ---                        | (200)    |
|   | -----                      | -----    |
| Net cash used by investing activities   | (20,926)                   | (3,815)  |
|   | -----                      | -----    |
| Cash flows from financing activities:   |                            |          |
| Proceeds from revolving credit facility, net                                  | 32,000                     | 45,000   |
| Repurchase of shares from US Industries                                       | ---                        | (16,000) |
| Purchase of option from US Industries   | ---                        | (500)    |
| Dividends paid on preferred stock   | (3,000)                    | ---      |
|   | -----                      | -----    |
| Net cash provided by financing activities                                     | 29,000                     | 28,500   |
|   | -----                      | -----    |
| Decrease in cash and cash equivalents   | (39,455)                   | (31,386) |
| Cash and cash equivalents at beginning of period                              | 40,407                     | 35,980   |
|   | -----                      | -----    |
| Cash and cash equivalents at end of period                                    | \$ 952                     | \$ 4,594 |
|   | =====                      | =====    |

See Notes to Condensed Consolidated Financial Statements

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BEAZER HOMES USA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Beazer Homes USA, Inc. ("Beazer" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X, and consequently such financial statements do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. Accordingly, for further information, the reader of this Form 10-Q should refer to the audited consolidated financial statements of the Company for the year ended September 30, 1995 incorporated by reference in the Company's Annual Report on Form 10-K.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the accompanying condensed financial statements.

(2) INVENTORY

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

|  | JUNE 30,<br>1996<br>---- | SEPTEMBER 30,<br>1995<br>---- |
|--|--------------------------|-------------------------------|
|  | (UNAUDITED)              |                               |
| Finished homes                                 | \$ 71,567                | \$ 52,464                     |
| Development projects in progress               | 240,386                  | 196,500                       |
| Unimproved land held for future<br>development | 26,581                   | 21,315                        |
| Model homes                                    | 20,821                   | 14,989                        |
|  | -----                    | -----                         |
|  | \$359,355                | \$285,268                     |
|  | =====                    | =====                         |

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

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BEAZER HOMES USA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) INTEREST

The following table sets forth certain information regarding interest (dollars in thousands):

|  | THREE MONTHS ENDED<br>JUNE 30, |         | NINE MONTHS ENDED<br>JUNE 30, |          |
|--|--------------------------------|---------|-------------------------------|----------|
|  | 1996                           | 1995    | 1996                          | 1995     |
|  | ----                           | ----    | ----                          | ----     |
| During the period:   |                                |         |                               |          |
| Interest incurred  | \$3,980                        | \$4,136 | \$10,729                      | \$10,639 |
|  | =====                          | =====   | =====                         | =====    |
| Previously capitalized interest<br>amortized to costs and expenses | \$3,860                        | \$3,386 | \$10,637                      | \$ 8,035 |
|  | =====                          | =====   | =====                         | =====    |
| At the end of the period:  |                                |         |                               |          |
| Capitalized interest in ending<br>inventory                        | \$6,603                        | \$7,646 | \$ 6,603                      | \$ 7,646 |
|  | =====                          | =====   | =====                         | =====    |

(4) EARNINGS PER SHARE

The computation of primary earnings per common share is based upon the weighted average number of common shares outstanding during the period plus (in periods in which they have a dilutive effect) the effect of common stock equivalents, primarily from stock options. Common share equivalents are computed using the treasury stock method.

Fully diluted earnings per share, which further assumes the conversion of 2.0 million shares of Series A Cumulative Convertible Exchangeable Preferred Stock (\$50.0 million aggregate liquidation preference) issued in August 1995 into 2.6 million shares of common stock at the conversion price of \$19.05, is presented in the accompanying condensed consolidated statements of operations for the three and nine months ended June 30, 1996.

(5) SHAREHOLDER RIGHTS PLAN

In June 1996 the Company's Board of Directors adopted a

Shareholder Rights Plan and distributed a dividend of one preferred share purchase right (a "Right") to purchase one one-hundredth of a share of Series B Junior Participating Preferred Stock, par value \$0.01 per share (the "Preferred Shares"), of the Company. The Rights become exercisable in certain limited circumstances involving principally the acquisition of over 20% of the Company's outstanding common stock by any one individual or group. The Rights are initially exercisable at a price of \$80.00 per one hundredth of a Preferred Share subject to adjustment. Following certain other events after the Rights have become exercisable, each Right entitles its holder to purchase at the Right's then-current exercise price, a number of shares of the Company's common stock having a market value of twice such price, or, in certain circumstances, securities of the acquirer, having a then-current market value of two times the exercise price of the right.

The Rights are redeemable and may be amended at the Company's option before they become exercisable. Until a Right is exercised, the holder of a Right, as such, has no rights as a shareholder of the Company. The Rights expire on June 24, 2006.

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BEAZER HOMES USA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) REPURCHASE OF SHARES FROM US INDUSTRIES

In June 1995, Hanson Properties North America, Inc. transferred its investment (2,749,267 shares) in the Company's common stock to USI Properties, Inc. ("USI"), a subsidiary of US Industries, Inc. On June 9, 1995, the Company and USI entered into a stock purchase agreement pursuant to which the Company purchased from USI 1,000,000 shares of the Company's common stock for \$16.0 million, or \$16 per share. Also on June 9, 1995, the Company entered into an option agreement with USI (the "Option") to acquire the remaining 1,749,267 shares of the Company's common stock held by USI. Cash consideration of \$5,00,000 was paid for the Option. On August 8, 1995, pursuant to its exercise of the Option, the Company repurchased the remaining 1,749,267 shares held by USI for \$28.2 million or \$16 1/8 per share. The repurchased shares are reflected in the accompanying consolidated financial statements as treasury stock. Such purchases were funded primarily from the issuance of the Company's Series A Cumulative Convertible Exchangeable Preferred Stock.

(7) RECENT ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances based on future expected cash flows indicate that the carrying amount may not be recoverable. SFAS 121 is required for financial statements for fiscal years beginning after December 15, 1995. Upon adoption, the Company does not believe that SFAS 121 will have a material impact on its consolidated financial statements.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation, ("SFAS 123"). SFAS 123 establishes financial accounting and reporting standards for stock-based employee compensation plans, such as stock purchase plans and stock option plans. The Company is not required to adopt the principal provisions of SFAS 123 until its fiscal year ending September 30, 1997. The Company has not yet decided how it will implement this standard.

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Item 2.

RESULTS OF OPERATIONS

The following table presents certain operating and financial data for the Company (dollars in thousands):

|   | THREE MONTHS ENDED<br>JUNE 30, |             |           | NINE MONTHS ENDED<br>JUNE 30, |             |           |
|---|--------------------------------|-------------|-----------|-------------------------------|-------------|-----------|
|   | 1996                           |             | 1995      | 1996                          |             | 1995      |
|   | AMOUNT                         | %<br>CHANGE | AMOUNT    | AMOUNT                        | %<br>CHANGE | AMOUNT    |
| NUMBER OF NEW ORDERS,<br>NET OF CANCELLATIONS: (a)                |                                |             |           |                               |             |           |
| Southeast Region  | 550                            | (19.9)%     | 687       | 1,603                         | 9.4%        | 1,465     |
| Southwest Region  | 837                            | (10.5)      | 935       | 2,526                         | 34.1        | 1,884     |
| Central Region  | 119                            | n/m         | 34        | 267                           | n/m         | 33        |
| Total   | 1,506                          | (9.1)       | 1,656     | 4,396                         | 30.0        | 3,382     |
| NUMBER OF CLOSINGS:   |                                |             |           |                               |             |           |
| Southeast Region  | 554                            | 36.8 %      | 405       | 1,503                         | 32.2%       | 1,137     |
| Southwest Region  | 868                            | 52.3        | 570       | 2,299                         | 65.5        | 1,389     |
| Central Region  | 74                             | n/m         | 15        | 178                           | n/m         | 17        |
| Total   | 1,496                          | 51.1        | 990       | 3,980                         | 56.5        | 2,543     |
| TOTAL REVENUE:  |                                |             |           |                               |             |           |
| Southeast Region  | \$ 83,162                      | 38.9 %      | \$ 59,876 | \$ 220,651                    | 36.5%       | \$161,692 |
| Southwest Region  | 122,379                        | 37.4        | 89,080    | 323,101                       | 51.9        | 212,766   |
| Central Region  | 11,524                         | n/m         | 2,421     | 28,048                        | n/m         | 2,766     |
| Total   | \$ 217,065                     | 43.4        | \$151,377 | \$ 571,800                    | 51.6        | \$377,224 |
| AVERAGE SALES PRICE PER HOME CLOSED:                              |                                |             |           |                               |             |           |
| Southeast Region  | \$ 150.1                       | 1.6 %       | \$ 147.8  | \$ 146.8                      | 3.2%        | \$ 142.2  |
| Southwest Region  | 141.0                          | (9.8)       | 156.3     | 140.5                         | (8.3)       | 153.2     |
| Central Region  | 155.7                          | n/m         | 161.4     | 157.4                         | n/m         | 161.4     |
| Total   | 145.1                          | (5.1)       | 152.9     | 143.7                         | (3.1)       | 148.3     |
| BACKLOG UNITS AT END OF PERIOD:                                   |                                |             |           |                               |             |           |
| Southeast Region  | 844                            | 4.7 %       | 806       |                               |             |           |
| Southwest Region  | 1,078                          | 7.7         | 1,001     |                               |             |           |
| Central Region  | 234                            | n/m         | 38        |                               |             |           |
| Total   | 2,156                          | 16.9        | 1,845     |                               |             |           |
| AGGREGATE SALES VALUE OF<br>HOMES IN BACKLOG AT END<br>OF PERIOD: |                                |             |           |                               |             |           |
|   | \$ 332,254                     | 21.2 %      | \$274,189 |                               |             |           |
| NUMBER OF ACTIVE SUBDIVISIONS:                                    |                                |             |           |                               |             |           |
| Southeast Region  | 104                            | 14.3 %      | 91        |                               |             |           |
| Southwest Region  | 61                             | 15.1        | 53        |                               |             |           |
| Central Region  | 28                             | n/m         | 9         |                               |             |           |
| Total   | 193                            | 26.1        | 153       |                               |             |           |

n/m Percentage change not meaningful

(a) New contracts for the nine months ended June 30, 1996 does not include 129 homes in backlog acquired on December 27, 1995 from Del Mar Development, Inc. New contracts for the three and nine months ended June 30, 1996 do not include 127 homes in backlog acquired on May 23, 1996 and June 26, 1996 with Gulf Coast Homes and Trendmaker Homes - Dallas, respectively.

OVERVIEW:

Beazer Homes designs, builds and sells single family homes in the Southeast, Southwest and Central regions of the United States. The Company's Southeast Region includes Georgia, North Carolina, South Carolina, Tennessee and Florida,

its Southwest Region includes Arizona, California and Nevada and its Central Region includes Texas. The Company intends, subject to market conditions, to expand in its current markets and to consider entering new markets through expansion from existing markets ("satellite expansion") or through acquisitions of established regional homebuilders. On May 23, 1996 the Company entered the Fort Myers and Naples markets of western Florida with the acquisition of Gulfcoast Homes ("Gulfcoast") for approximately \$3 million. On June 26, 1996 the Company expanded its presence in the Dallas, Texas market with the acquisition of Trendmaker Homes - Dallas ("Trendmaker"), for approximately \$22 million. Recent satellite expansions include Reno (NV), Knoxville (TN) and Myrtle Beach (SC).

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

**NEW ORDERS AND BACKLOG:** The Company believes the strong positive comparisons in new orders for the nine months ended June 30, 1996 compared to the same period in 1995 is the result of favorable economic conditions, primarily reduced interest rates, for the first six months of the fiscal year, and the Company's timely opening of new subdivisions. With the exception of the Nashville and Charlotte markets, all of the Company's markets experienced positive order comparisons for the nine month period, including growth in excess of 45% in Arizona and Nevada, 33% in South Carolina, and 21% in Florida. Excluding the 19 subdivisions acquired during the quarter ended June 30, 1996 with Trendmaker and Gulfcoast, the number of active subdivisions increased by 25 from 149 at September 30, 1995 to 174 at June 30, 1996. Of that increase, three subdivisions were added during the quarter ended June 30, 1996. Recent satellite expansions into Knoxville, Reno, and Myrtle Beach have not contributed significantly to the reported results to date.

New orders for the quarter ended June 30, 1996 compared to June 30, 1995 decreased by 9.1%. This decrease on a total company basis reflects, in management's opinion, the impact of an increase in mortgage interest rates since January 1996. While most of the Company's individual markets reflect the total Company trend, California, Florida (excluding 4 new orders for Gulfcoast), South Carolina and Texas experienced increases in new orders for the comparable quarterly periods. The largest decrease in new orders in comparison to the quarter ended June 30, 1995 was in the Phoenix market where new orders were down 122 homes (25.8%). The Company has experienced significant order growth in the Phoenix during the past nine months, and is focusing on building out the homes in backlog.

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The increase for the Company's Texas operations (Central Region) result from the Company's entry into the Dallas and Houston markets via the acquisition of Bramalea Homes Texas in April 1995. New order figures for the Central Region do not include order activity related to the acquisition of Trendmaker completed June 26, 1996.

The increase in backlog units at June 30, 1996 compared to June 30, 1995 is attributable to the strong order growth experienced throughout the year, as well as 127 units in backlog acquired during the quarter via acquisition. The aggregate sales value of homes in backlog increased significantly for the comparable period primarily due to the acquired backlog, which has a higher average price than the Company's other markets. The average price of homes in backlog excluding the impact of the acquisitions is \$151.9. This average represents a slight increase over June 30, 1995 because of the number of homes in backlog in Houston and Treasure Coast, where average sales prices are above the average for the Company total.

#### RESULTS OF OPERATIONS:

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

|   | Three Months Ended |        | Nine Months Ended |        |
|---|--------------------|--------|-------------------|--------|
|   | June 30,           |        | June 30,          |        |
|   | 1996               | 1995   | 1996              | 1995   |
|   | ----               | ----   | ----              | ----   |
| Total revenue                             | 100.0%             | 100.0% | 100.0%            | 100.0% |
| Costs of home construction and land sales | 84.7               | 86.5   | 84.6              | 85.4   |
| Interest                                  | 1.8                | 2.2    | 1.9               | 2.1    |
| Selling, general and administrative       | 9.9                | 9.7    | 10.3              | 10.3   |
| Operating income                          | 3.7                | 1.5    | 3.3               | 2.2    |

REVENUES: The Company experienced significant revenue growth in all regions for both the three and nine months ended June 30, 1996 compared to the same periods in 1995. The level of revenue growth is the result of a 51.1% and 56.5% increase in the number of homes closed, and 5.1% and 3.1% decrease in the average price per home closed for the three and nine month periods, respectively. The Southeast Region's average price per home closed increased for the three and nine month period ended June 30, 1996 in comparison to the same periods in 1995. This increase can be attributed principally to product mix. The average price per home closed has decreased for each comparable period in the Southwest and Central Regions which is attributable to continued efforts to expand the Company's presence in the first-time buyer market, especially in Arizona. The increase in new homes closed is a result of the increased new orders for the nine months ended as described previously.

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COST OF HOME CONSTRUCTION AND LAND SALES: Cost of home construction and land sales as a percentage of revenues decreased slightly for the three and nine months ended June 30, 1996 compared to the same periods in 1995. This decrease is largely attributable to decreases in construction costs (material and labor), and an increase in deliveries from homes started subsequent to sale for the comparable periods. Additionally, the Company's Arizona and Texas markets, which typically experience higher gross margins than the Company average, represent a greater percentage of total closings for both the three and nine month periods.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE: Selling, general and administrative expenses increased slightly as a percentage of total revenues for the three months ended June 30, 1996 compared to the prior year period, and remained unchanged as a percentage of revenues for the comparative nine month periods ending June 30, 1996 and 1995. As interest rates increased during the Company's third fiscal quarter and many of the markets became increasingly competitive, sales and marketing expense, and commission expense increased. Company wide reductions in general and administrative expenses as a percentage of revenues for both the three and nine month periods ended June 30, 1996 completely offset the increases in selling expenses for the nine months, and partially offset the increases for the comparative quarters.

INTEREST EXPENSE: Interest expense as a percentage of revenues for the three and nine months ended June 30, 1996 is less than the comparable periods in 1995. Interest incurred for the comparable quarters is lower in 1996 than 1995, and slightly higher for the nine month period. Interest expense is down for both periods, however, because of accelerated inventory turnover and lower interest rates. Annualized inventory turnover (Cost of sales including interest/average inventory) is 2.0 for the nine months ended June 30, 1996 versus 1.5 for the comparable period in 1995. Turnover was 2.2 for the quarter versus 1.7 for the previous quarterly period.

INCOME TAXES: The Company's effective income tax rate was approximately 40% for each of the three and nine month periods ended June 30, 1996 and 1995.

#### FINANCIAL CONDITION AND LIQUIDITY:

At June 30, 1996, the Company had \$32 million of borrowings outstanding under its \$80 million unsecured revolving line of credit (the "Credit Agreement"), and had available additional borrowings of \$48 million. Available borrowings under

the Credit Agreement are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable as defined in the Credit Agreement. The Credit Agreement is used primarily to fund seasonal working capital needs, however, during the quarter ended June 30, 1996 the Company used borrowings under the Credit Agreement to fund the purchase of Trendmaker Homes-Dallas for approximately \$16.9 million, and Gulfcoast Homes for approximately \$2.7 million. The Company's debt to total capitalization ratio at June 30, 1996 was 45.9%.

The Company has utilized, and will continue to utilize, land options as a method of controlling and subsequently acquiring land. At June 30, 1996, the Company had 7,730 lots under option. At June 30, 1996, the Company had commitments with respect to option contracts with specific performance obligations of approximately \$46.5 million. The Company expects to exercise all of its option contracts with specific performance obligations and, subject to market conditions, substantially all of its options contracts without specific performance obligations.

In August 1995, the Company sold 2,000,000 shares of its Series A Cumulative Convertible Exchangeable Preferred Stock. The Preferred Stock pays dividends quarterly at an annual rate of 8% (aggregating \$4 million annually).

In June 1996, the Company's Board of Directors authorized the expenditure of Company funds to repurchase an aggregate of up to 10% of the Company's currently outstanding common stock (the "Stock Repurchase Plan"). As of June 30, 1996, the Company has not repurchased any shares of the Company's common stock under the Stock Repurchase Plan.

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

Management believes that the Company's current borrowing capacity, cash on hand at June 30, 1996, and anticipated cash flows from the operations is sufficient to meet liquidity needs for the foreseeable future. There can be no assurance, however, that amounts available in the future from the Company's sources of liquidity will be sufficient to meet the Company's future capital needs. The amount and types of indebtedness that the Company may incur may be limited by the terms of the Indenture governing the Senior Notes and the Credit Agreement. The Company continually evaluates expansion opportunities through acquisition of established regional homebuilders and such opportunities may require the Company to seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financing and/or Securities offerings.

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## PART II. OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits:

- 11 Statement Regarding Computation of Per Share Earnings
- 27 Financial Data Schedule

(b) A Current Report on Form 8-K was filed on June 21, 1996 relating to the Preferred Share Purchase Rights (the "Rights") distributed by the Company immediately following approval of

the Rights for listing on the New York Stock Exchange to its shareholders of record on June 24, 1996 pursuant to dividend announced on June 21, 1996.

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SIGNATURES

Pursuant to the requirements 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.

Date: August 13, 1996  
-----

By: /s/ David S. Weiss  
-----  
Name: David S. Weiss  
Executive Vice President and  
Chief Financial Officer

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## EXHIBIT 11

BEAZER HOMES USA, INC.  
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

|  | Three<br>Months Ended<br>June 30, |           | Nine<br>Months Ended<br>June 30, |           |
|--|-----------------------------------|-----------|----------------------------------|-----------|
|  | 1996                              | 1995      | 1996                             | 1995      |
| Primary:   |                                   |           |                                  |           |
| Earnings   |                                   |           |                                  |           |
| Net income   | \$ 4,817                          | \$ 1,417  | \$ 11,379                        | \$ 5,035  |
| Less: Dividends on preferred shares (a)  | 1,000                             | 0         | 3,000                            | 0         |
| Net income applicable to common shares   | \$ 3,817                          | \$ 1,417  | \$ 8,379                         | \$ 5,035  |
| Shares   |                                   |           |                                  |           |
| Weighted average number of unrestricted common shares outstanding                                    | 6,376,100                         | 8,916,576 | 6,376,100                        | 9,055,770 |
| Weighted average number of restricted common shares outstanding, net                                 | 92,650                            | 171,750   | 90,726                           | 146,259   |
| Dilutive effect of outstanding options as determined by the application of the treasury stock method | 11,973                            | 0         | 19,697                           | 0         |
| Weighted average number of shares outstanding, as adjusted   | 6,480,723                         | 9,088,326 | 6,486,523                        | 9,202,029 |
| Primary net income per share   | \$0.59                            | \$0.16    | \$1.29                           | \$0.55    |
| Fully-diluted:   |                                   |           |                                  |           |
| Earnings   |                                   |           |                                  |           |
| Net income   | \$4,817                           | \$ 1,417  | \$ 11,379                        | \$ 5,035  |
| Shares   |                                   |           |                                  |           |
| Weighted average number of unrestricted common shares outstanding                                    | 6,376,100                         | 8,916,576 | 6,376,100                        | 9,055,770 |
| Weighted average number of restricted common shares outstanding, net                                 | 92,650                            | 171,750   | 90,726                           | 146,259   |
| Dilutive effect of outstanding options as determined by the application of the treasury stock method | 11,973                            | 0         | 19,697                           | 0         |
| Assumed conversion of preferred stock (a)  | 2,624,672                         | 0         | 2,624,672                        | 0         |
| Weighted average number of shares outstanding, as adjusted   | 9,105,395                         | 9,088,326 | 9,111,195                        | 9,202,029 |
| Net income per share assuming full dilution  | \$0.53                            | \$0.16    | \$1.25                           | \$0.55    |

(a) The Company's Series A Cumulative Convertible Exchangeable Preferred Stock (2,000,000 shares of \$50,000,000 aggregate liquidation preference, convertible into 2,624,672 shares of common stock) issued in August 1995.

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT ON FORM 10Q FOR THE PERIOD ENDED JUNE 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

|                              |  |             |           |
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| <EPS-DILUTED>                |  | 1.25        |           |
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| <F1>                         | PROPERTY, PLANT, AND EQUIPMENT IS PRESENTED NET OF ACCUMULATED DEPRECIATION. |             |           |
| <F2>                         | THE COMPANY PRESENTS A CONDENSED BALANCE SHEET FOR INTERIM PERIODS.          |             |           |
| </FN>                        |  |             |           |