UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 2020
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.)**
1000 Abernathy Road, Suite 260, Atlanta, Georgia **(Address of principal executive offices)**	**30328** **(Zip Code)**

(770) 829-3700
(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	BZH	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No x

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 12 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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company,” and ""emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	x
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO x

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 31, 2020, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was $193,280,088.

Class	Outstanding at November 9, 2020
Common Stock, $0.001 par value	31,012,826

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent stated herein. The Proxy Statement will be filed within 120 days of the registrant's fiscal year ended September 30, 2020.

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References to “we,” “us,” “our,” “Beazer,” “Beazer Homes” and the “Company” in this Annual Report on Form 10-K refer to Beazer Homes USA, Inc.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (Form 10-K) contains forward-looking statements. These forward-looking statements represent our expectations or beliefs concerning future events or results, and it is possible that such events or results described in this Form 10-K will not occur or be achieved. These forward-looking statements can generally be identified by the use of statements that include words such as “estimate,” “project,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “likely,” “will,”, "outlook", “goal,” “target” or other similar words or phrases.

These forward-looking statements involve risks, uncertainties and other factors, many of which are outside of our control, that could cause actual events or results to differ materially from the events or results discussed in the forward-looking statements, including, among other things, the matters discussed in this Form 10-K in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Additional information about factors that could lead to material changes is contained in Part I, Item 1A – Risk Factors of this Form 10-K. These factors are not intended to be an all-inclusive list of risks and uncertainties that may affect the operations, performance, development and results of our business, but instead are the risks that we currently perceive as potentially being material. Such factors may include:

- the cyclical nature of the homebuilding industry and a potential deterioration in homebuilding industry conditions;
- economic changes nationally or in local markets, changes in consumer confidence, wage levels, declines in employment levels, inflation or increases in the quantity and decreases in the price of new homes and resale homes on the market;
- the potential negative impact of the COVID-19 pandemic, which, in addition to exacerbating each of the risks listed above and below, may include a significant decrease in demand for our homes or consumer confidence generally with respect to purchasing a home, an inability to sell and build homes in a typical manner or at all, increased costs or decreased supply of building materials, including lumber, or the availability of subcontractors, housing inspectors, and other third-parties we rely on to support our operations, and recognizing charges in future periods, which may be material, for goodwill impairments, inventory impairments and/or land option contract abandonments;
- shortages of or increased prices for labor, land or raw materials used in housing production, and the level of quality and craftsmanship provided by our subcontractors;
- the availability and cost of land and the risks associated with the future value of our inventory, such as asset impairment charges we took on select California assets during the second quarter of fiscal 2019;
- factors affecting margins, such as decreased land values underlying land option agreements, increased land development costs in communities under development or delays or difficulties in implementing initiatives to reduce our production and overhead cost structure;
- our ability to raise debt and/or equity capital, due to factors such as limitations in the capital markets (including market volatility) or adverse credit market conditions, and our ability to otherwise meet our ongoing liquidity needs (which could cause us to fail to meet the terms of our covenants and other requirements under our various debt instruments and therefore trigger an acceleration of a significant portion or all of our outstanding debt obligations), including the impact of any downgrades of our credit ratings or reduction in our liquidity levels;
- market perceptions regarding any capital raising initiatives we may undertake (including future issuances of equity or debt capital);
- terrorist acts, protests and civil unrest, political uncertainty, natural disasters, acts of war or other factors over which the Company has little or no control;
- estimates related to homes to be delivered in the future (backlog) are imprecise, as they are subject to various cancellation risks that cannot be fully controlled;
- increases in mortgage interest rates, increased disruption in the availability of mortgage financing, changes in tax laws or otherwise regarding the deductibility of mortgage interest expenses and real estate taxes or an increased number of foreclosures;
- increased competition or delays in reacting to changing consumer preferences in home design;
- natural disasters or other related events that could result in delays in land development or home construction, increase our costs or decrease demand in the impacted areas;
- the potential recoverability of our deferred tax assets;

- potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations or governmental policies, and possible penalties for failure to comply with such laws, regulations or governmental policies, including those related to the environment;
- the results of litigation or government proceedings and fulfillment of any related obligations;
- the impact of construction defect and home warranty claims;
- the cost and availability of insurance and surety bonds, as well as the sufficiency of these instruments to cover potential losses incurred;
- the impact of information technology failures, cybersecurity issues or data security breaches; or
- the impact on homebuilding in key markets of governmental regulations limiting the availability of water.

Any forward-looking statement, including any statement expressing confidence regarding future outcomes, speaks only as of the date on which such statement is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible to predict all such factors.

PART I

Item 1. Business

We are a geographically diversified homebuilder with active operations in 13 states within three geographic regions in the United States: the West, East, and Southeast. Our homes are designed to appeal to homeowners at different price points across various demographic segments, and are generally offered for sale in advance of their construction. Our objective is to provide our customers with homes that incorporate extraordinary value and quality, at affordable prices, while seeking to maximize our return on invested capital over the course of a housing cycle.

Beazer Homes USA, Inc. was incorporated in Delaware in 1993. Our principal executive offices are located at 1000 Abernathy Road, Suite 260, Atlanta, Georgia 30328, and our main telephone number is (770) 829-3700. We also provide information about our company, including active communities, through our Internet website located at www.beazer.com. Information on our website is not a part of this Form 10-K and shall not be deemed incorporated by reference.

Industry Overview and Current Market Conditions

The sale and production of new homes has been, and will likely remain, a large industry in the United States for four primary reasons: (1) historical growth in both population and households; (2) demographic patterns that indicate an increased likelihood of home ownership as age and income increase; (3) job creation within geographic markets that necessitate new home construction; and (4) consumer demand for home features that can be more easily provided in a new home than an existing home. At the start of our fiscal 2020, factors including rising levels of household formation, a constrained supply of new and used homes, wage growth, strong employment conditions and mortgage rates that continue to be low by historical standards were contributing to improving conditions for new home sales.

Beginning in mid-March of fiscal 2020, we experienced extraordinary volatility in business conditions. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and, on March 13, 2020, the United States declared a national emergency concerning the outbreak. In response to the initial onset of the pandemic in the U.S., state and local governmental authorities and institutions implemented containment and mitigation measures, including various “shelter in place” or “stay at home” orders, which created broad and severe economic impacts. However, all the states and local government authorities in the markets in which we operate deemed housing an essential service, which enabled us to continue building and delivering homes to our customers.

In response to the pandemic, we placed our highest priority on helping to protect the health and safety of our employees, customers, and trade partners. We took unprecedented actions in mid-March to temporarily close our sales centers, model homes and design studios to the general public. Our sales teams shifted to an appointment-only home sales process and leveraged virtual sales tools to connect with our customers online. We followed recommended social distancing and other health and safety protocols when meeting in person with a customer and shifted our corporate and division office functions to work remotely. We implemented construction site health and safety guidelines in an effort to ensure both our employees and our trade partners were adhering to safety, hygiene, and social distancing requirements. During the latter part of May, with restrictions easing in many of our markets, we began to take steps to effectively and safely resume nearly all of our operations, while also expanding construction and warranty service activities to the extent permitted by local authorities and our safety protocols.

While the economic recovery following initial containment and mitigation measures is still ongoing, economic conditions in our markets have improved. We believe this is the result of low interest rates and short supply of homes, together with what may be a desire by many people to move out of crowded urban areas into new homes in the suburbs. The strength in our markets may also be partially attributable to pent up demand from the earlier part of the COVID-19 pandemic when more restrictive "stay-at-home" orders were in place. Due to the return of demand towards the end of May, homebuilding gross margin (excluding impairments, abandonments and amortized interest) was 21.2% and 21.7% for the fiscal third quarter and fourth quarter, respectively, up 180 basis points and 180 basis points compared to prior year quarters, respectively.

Despite growth in many of our key operational metrics as housing market conditions improved, the magnitude and duration of the COVID-19 pandemic remains unknown. If economic conditions deteriorate, we expect to experience material declines in our net new orders, closings, revenues, cash flow and/or profitability in fiscal 2021, compared to the corresponding prior-year periods, and compared to our expectations. In addition, if conditions in the overall housing market or in a specific market worsen in the future beyond our current expectations, if future changes in our business strategy significantly affect any key assumptions used in our projections of future cash flows, or if there are material changes in any of the other items we consider in assessing recoverability, we may recognize charges in future periods for inventory impairments related to our current inventory assets. Any such charges could be material to our consolidated financial statements. For further discussion of the potential impacts on our business from the COVID-19 pandemic, see Part I, Item 1A – Risk Factors below.

Long-Term Business Strategy

We continue to execute against our long-term balanced growth strategy, which we define as the expansion of earnings at a faster rate than our revenue growth, supported by a less-leveraged and return-driven capital structure. This strategy provides us with flexibility to increase return on capital, reduce leverage, or increase investment in land and other operating assets in response to changing market conditions.

We remain committed to this balanced growth strategy, which is designed to increase shareholder value by improving our return on assets while reducing operational risk and debt. Aligned with this long-term strategy, our specific objectives include increasing EBITDA, improving balance sheet efficiency, and reducing leverage.

We repaid $50.0 million of our Senior Unsecured Term Loan and repurchased $3.3 million of outstanding common stock during fiscal 2020. Over the past five years, we repaid a total of $442.3 million of debt. We expect to reduce more outstanding debt over time with a goal of having less than $1.0 billion of outstanding debt. As of September 30, 2020, we had outstanding debt of $1.1 billion.

Reportable Business Segments

Our active homebuilding operations consist of the design, sale, and construction of single-family and multi-family homes in the following geographic regions, which represent our reportable segments:

Segment/State	**Market(s)**
West:	
Arizona	Phoenix
California	Los Angeles County, Orange County, Riverside County, Sacramento County, San Bernardino County, San Diego County, Tulare County
Nevada	Las Vegas
Texas	Dallas/Ft. Worth, Houston
East:	
Indiana	Indianapolis
Maryland/Delaware	Anne Arundel County, Baltimore County, Howard County, Montgomery County, Sussex County
Tennessee	Nashville
Virginia	Fairfax County, Loudoun County, Prince William County, Stafford County
Southeast:	
Florida	Orlando, Tampa/St. Petersburg
Georgia	Atlanta, Savannah
North Carolina	Raleigh/Durham
South Carolina	Charleston, Myrtle Beach

The following tables summarize certain operating information of our reportable segments, including number of homes closed, the average selling price (ASP) for the periods presented, and units and dollar value in backlog as of September 30, 2020, 2019, and 2018. Refer to “Management's Discussion and Analysis of Results of Operations and Financial Condition” in Item 7 of this Form 10-K for additional information.

	2020		2019		2018	
($ in thousands)	Number of Homes Closed	Average Closing Price	Number of Homes Closed	Average Closing Price	Number of Homes Closed	Average Selling Price
West	3,206	$ 368.2	2,859	$ 354.3	2,895	$ 345.3
East	1,045	455.7	1,092	463.7	1,221	418.3
Southeast	1,241	370.8	1,549	360.2	1,651	343.5
Total Company	5,492	$ 385.5	5,500	$ 377.7	5,767	$ 360.2

	September 30, 2020		September 30, 2019		September 30, 2018	
	Units in Backlog	Dollar Value in Backlog (in millions)	Units in Backlog	Dollar Value in Backlog (in millions)	Units in Backlog	Dollar Value in Backlog (in millions)
West	1,365	$ 493.7	982	$ 362.5	858	$ 305.5
East	624	301.1	341	155.1	281	127.5
Southeast	520	200.5	385	147.5	493	195.0
Total Company	2,509	$ 995.3	1,708	$ 665.1	1,632	$ 628.0
ASP in backlog (in thousands)		$ 396.7		$ 389.4		$ 384.8

Seasonal and Quarterly Variability

Our homebuilding operating cycle typically reflects higher levels of new home order activity in our second and third fiscal quarters, and increased closings in our third and fourth fiscal quarters. However, these seasonal patterns may be impacted or reduced by a variety of factors, including periods of economic downturn, which result in decreased revenues and closings. While the first half of fiscal 2020 largely followed our typical seasonal pattern, the impacts of the COVID-19 pandemic resulted in a shift from our typical seasonal trend such that higher levels of new home orders were observed in the fourth fiscal quarter instead of the third fiscal quarter, which we expect will lead to increased closings in the first half of fiscal 2021 as compared to fiscal 2020.

Marketing and Sales

We make extensive use of digital and traditional marketing vehicles and other promotional activities, including our website (www.beazer.com), real estate listing sites, digital advertising (including search engine marketing and display advertising), social media, video, brochures, direct marketing, and out-of-home advertising (including billboards and signage) located in the immediate areas of our developments, as well as additional activities. In connection with these marketing vehicles, we have registered or applied for registration of trademarks and Internet domain names, including Beazer Homes®, Gatherings®, and Choice Plans™, for use in our business.

Our practice is to build, decorate, furnish, and landscape model homes for each community we build and maintain on-site sales offices. As of September 30, 2020, we maintained and owned 248 model homes. We believe that model homes play a particularly important role in our selling efforts, and we are continuously innovating within our model homes to provide a unique, memorable, and hands-on experience for our customers, including digital kiosks, interactive site maps/plans, interactive magnetic floor plan boards, interactive Surprising Performance rooms, signage, and more. The selection of interior features is also a principal component of our marketing and sales efforts.

Our homes are customarily sold through commissioned new home sales counselors (who work from the sales offices located in the model homes used in the community) as well as through independent brokers. Our new home counselors are available to assist prospective homebuyers by providing them with floor plans, pricing information, tours of model homes, the community's unique selling proposition, detailed explanations of our differentiators as discussed below, and associated savings opportunities. Sales personnel are trained internally through a structured training program focused on sales techniques, product familiarity, competitive products in the area, construction schedules, and Company policies around compliance, which management believes results in a sales force with extensive knowledge of our operating policies and housing products. Sales personnel must be licensed real estate agents where required by law.

We sometimes use various sales incentives in order to attract homebuyers. The use of incentives depends largely on local economic and competitive market conditions.

Depending on market conditions, we also at times begin construction on a number of homes for which no signed sales contract exists, known as "speculative" or "spec" homes. This speculative inventory satisfies demand by providing near ready or move in ready homes targeted at relocated personnel and others who require a completed home within 60 days.

Differentiating Beazer Homes

We know that our buyers have many choices when purchasing a home. To help us become a builder of choice and thereby achieve the operational objectives we have outlined, we have identified the following three strategic pillars that differentiate Beazer's homes from both resale homes and other newly built homes:

Mortgage Choice – Most of our buyers need to arrange financing in order to purchase a new home. Unlike many of our major competitors, we have no ownership or other interest in a mortgage company, which allows us to partner with our customers to help them get the most competitive interest rates, fees and service levels available. For every Beazer community, we identify Choice Lenders, who are selected for their ability to provide a comprehensive array of products and programs, meet our high customer service standards and willingness to compete to earn our customer's business. We then provide our customers with an industry-leading online comparison tool that helps them easily compare multiple mortgage offers side-by-side.

Choice Plans™ – Every family lives in their home differently, which is why we created Choice Plans™. Choice Plans™ provide our buyers with more floor plan flexibility at no additional cost. For example, buyers of to-be-built homes can typically choose between two different configurations in the kitchen/great room and in the primary bedroom/bathroom based on individual preferences, at no additional cost. Offering these pre-designed floor plan alternatives allows us to offer fewer different plans, which improves efficiency and reduce costs while creating living areas that match an individual buyer's lifestyle.

Surprising Performance – We place an emphasis on building high-quality homes and delivering outstanding customer experience. All Beazer homes are designed and built to provide Surprising Performance, which means more quality, comfort, and savings. We deliver these benefits through our people, materials, and process. From the perspective of people, our experienced team of new home counselors, designers, builders, and customer care representatives are dedicated to provide excellent service at every point of the home purchase process. From the perspective of materials, we work with industry-leading partners who, like us, are committed to innovation and quality. From the perspective of process, we ensure quality of construction through high caliber construction practices and rigorous inspections. For example, we ensure our homes are built to the latest ENERGY STAR® standards and provide buyers with an energy rating for their home, completed by a qualified third-party rating company. Used homes typically have an energy rating (on a scale in which a lower score is better) of 130. As of September 30, 2020, the average new Beazer home has an energy rating of 56. Part of our Surprising Performance differentiator also includes regularly surveying the homebuyer process in order to measure and continuously improve the customer experience.

Markets and Product Description

We evaluate a number of factors in determining which geographic markets to enter and remain in as well as which consumer segments to target with our homebuilding activities. We compete in sixteen geographic markets across the United States in part to reduce our exposure to any particular regional economy. Within these markets, we build homes in a variety of new home communities. We continually review our sixteen markets based on aggregate demographic information, land prices and availability, competitive dynamics, and our own operating results. We use the results of these reviews to re-allocate our investments generally to those markets where we believe we can maximize our profitability and return on capital.

We 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, product affordability, consumer preferences, land availability, margins, timing, and the economic strength of the market. Depending on the market, we attempt to address one or more of the following categories of home buyers: entry-level, move-up, or active adult. Within these buyer groups, we have developed detailed targeted buyer profiles based on demographic and psychographic data, including information about marital and family status, employment, age, affluence, special interests, media consumption, and distance moved. Although we offer a selection of amenities and home customization options, we generally do not build "custom homes." In all of our home offerings, we attempt to increase customer satisfaction by incorporating quality and energy-efficient materials, distinctive design features, convenient locations, and competitive prices.

Gatherings. For over a decade, we have been building age-targeted four-story condominiums to address the growing 55-plus segment in the Mid-Atlantic market. In 2016, Gatherings® by Beazer Homes was officially introduced across several new areas within Beazer's geographic footprint. We strive to provide extraordinary value at an affordable price and become a premier provider of condominium living for adults over age 55. Our Dallas, Nashville, and Orlando markets are actively selling Gatherings homes, while development is currently underway in Dallas, Nashville, Orlando, Atlanta, and Houston. As of September 30, 2020, we have approved communities representing nearly 870 potential future sales.

Operational Overview

Corporate Operations

We perform the following functions at our corporate office to promote standardization and operational excellence:

- evaluate and select geographic markets;
- allocate capital resources for land acquisitions;
- maintain and develop relationships with lenders and capital markets to create and maintain access to financial resources;
- maintain and develop relationships with national product vendors;
- perform certain accounting, finance, legal, risk and marketing functions to support our field operations;
- operate and manage information systems and technology support operations; and
- monitor the operations of our divisions and partners.

We allocate capital resources in a manner consistent with our overall business strategy. We will vary our capital allocation based on market conditions, results of operations, and other factors. Capital commitments are determined through consultation among executive and operational personnel who play an important role in ensuring that new investments are consistent with our strategy. Financial controls are also maintained through the centralization and standardization of accounting and finance activities, policies, and procedures.

Field Operations

The development and construction of each new home community is managed by our operating divisions, each of which is led by a regional market leader and/or an area president who reports to our Chief Executive Officer. Within our operating divisions, our field teams are equipped with the skills needed to complete the functions of land acquisition, land entitlement, land development, home construction, local marketing, sales, warranty service, and certain purchasing and planning/design functions. However, the accounting and accounts payable functions of our field operations are concentrated in our national accounting center, which we consider to be part of our corporate operations.

Land Acquisition and Development

Generally, the land we acquire is purchased only after necessary entitlements have been obtained so that we have the right to begin development or construction as market conditions dictate. The term "entitlements" refers to subdivision approvals, development agreements, tentative maps, or recorded plats, depending on the jurisdiction in 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. In limited circumstances, we will purchase property without all necessary entitlements where we have identified an opportunity to build on such property in a manner consistent with our strategy.

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

- internal and external demographic and marketing studies;
- suitability for development during the time period of one to five years from the beginning of the development process to the last closing;
- financial review as to the feasibility of the proposed project, including profit margins and returns on capital employed;

- the ability to secure governmental approvals and entitlements;
- environmental and legal due diligence;
- competition in the area;
- proximity to local traffic corridors, job centers, and other amenities; and
- management's judgment of the real estate market and economic trends and our experience in a particular market.

We generally purchase land or obtain an option to purchase land, which, in either case, requires certain site improvements prior to home construction. Where required, we then undertake, or the grantor of the option then undertakes in the case of land under option, the development activities (through contractual arrangements with local developers, general contractors, and/or subcontractors), which include site planning and engineering as well as constructing roads, water, sewer, and utility infrastructures, drainage and recreational facilities, and other amenities. When available in certain markets, we also buy finished lots that are ready for home construction. During our fiscal 2020 and 2019, we continued to pursue land acquisition opportunities and develop our land positions, spending approximately $276.9 million and $226.0 million, respectively, for land acquisition and $163.9 million and $243.9 million, respectively, for land development.

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

Option Contracts

We acquire certain lots by means of option contracts from various sellers and developers, including land banking entities. 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 fixed or variable price.

Under option contracts, purchase of the underlying properties is contingent upon satisfaction of certain requirements by us and the sellers. Our liability under option contracts is generally limited to forfeiture of the non-refundable deposits, letters of credit, and other non-refundable amounts incurred, which totaled approximately $75.9 million as of September 30, 2020. The total remaining purchase price, net of cash deposits, committed under all land option contracts was $395.1 million as of September 30, 2020.

We expect to exercise, subject to market conditions and seller satisfaction of contract terms, substantially all of our option contracts. Various factors, some of which are beyond our control, such as market conditions, weather conditions, and the timing of the completion of development activities, will have a significant impact on the timing of option exercises or whether lot options will be exercised at all.

The following table summarizes land controlled by us by reportable segment as of September 30, 2020:

	Lots Owned							
	Lots with Homes Under Construction [(a)]	Finished Lots	Lots Under Development	Lots Held for Future Development	Lots Held for Sale	Total Lots Owned	Total Lots Under Contract	Total Lots Controlled
West								
Arizona	285	222	78	—	—	585	455	1,040
California	326	598	571	1	283	1,779	169	1,948
Nevada	290	251	214	66	—	821	843	1,664
Texas	679	1,151	1,252	—	73	3,155	2,388	5,543
Total West	1,580	2,222	2,115	67	356	6,340	3,855	10,195
East								
Indiana	106	183	303	—	30	622	181	803
Maryland/Delaware	203	162	290	93	1	749	595	1,344
New Jersey	—	—	—	117	—	117	—	117
Tennessee	222	189	355	—	3	769	24	793
Virginia	57	23	151	—	—	231	206	437
Total East	588	557	1,099	210	34	2,488	1,006	3,494
Southeast								
Florida	201	246	108	33	1	589	579	1,168
Georgia	210	487	135	—	63	895	92	987
North Carolina	86	34	48	21	41	230	289	519
South Carolina	145	376	787	68	34	1,410	57	1,467
Total Southeast	642	1,143	1,078	122	139	3,124	1,017	4,141
Total	**2,810**	**3,922**	**4,292**	**399**	**529**	**11,952**	**5,878**	**17,830**

[(a)] This category represents lots upon which construction of a home has commenced, including model homes.

The following table summarizes the dollar value of our land under development, land held for future development, and land held for sale by reportable segment as of September 30, 2020:

in thousands	Land Under Development	Land Held for Future Development	Land Held for Sale
West	$ 325,777	$ 3,483	$ 4,516
East	119,358	14,077	3,702
Southeast	144,628	10,971	4,404
Total	**$ 589,763**	**$ 28,531**	**$ 12,622**

Investments in Unconsolidated Entities

Occasionally, we use legal entities in which we have less than a controlling interest. We enter into the majority of these investments with land developers, other homebuilders and financial partners to acquire attractive land positions, to manage our risk profile and to leverage our capital base. The underlying land positions are developed into finished lots for sale to the unconsolidated entity's members or other third parties. We account for our interest in unconsolidated entities under the equity method.

Historically, we and our partners have provided varying levels of guarantees of debt or other obligations of our unconsolidated entities. As of September 30, 2020, our unconsolidated entities had borrowings outstanding totaling $8.8 million. See Note 4 of notes to the consolidated financial statements in this Form 10-K for further information.

Our consolidated balance sheets include investments in unconsolidated entities totaling $4.0 million as of September 30, 2020 and September 30, 2019.

Construction

We typically act as the general contractor for the construction of our new home communities. Our project development activities are controlled by our operating divisions whose employees supervise the construction of each new home community by coordinating the activities of independent subcontractors and suppliers, subjecting their work to quality and cost controls and ensuring 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 or directly employed by us and whose designs are geared to the local market. Our home plans are created in a collaborative effort with industry leading architectural firms, allowing us to stay current with changing home design trends as well as expanding our focus on engineering without sacrificing value for our customers.

Agreements with our subcontractors and materials suppliers are generally entered into after a competitive bidding process during which we obtain information from prospective subcontractors and vendors with respect to their financial condition and ability to perform their agreements with us in accordance with the specifications we provide. Subcontractors typically are retained on a project-by-project basis to complete construction at a fixed price. 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. However, material prices may fluctuate due to various factors, including demand or supply shortages and the price of certain commodities, which may be beyond the control of us or our vendors. When it is economically advantageous, 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.

Construction time for our homes depends on local governmental approval processes, product type, location, and the availability of labor, materials, and supplies. Homes are designed to promote efficient use of space and materials and to minimize construction costs and time. In all of our markets, construction of a home is typically completed within three to six months following commencement of construction. As of September 30, 2020, excluding models, we had 2,562 homes at various stages of completion, of which 1,913 were under contract and included in backlog at such date and 649 were unsold homes (133 of which were substantially completed), either because the construction of the home was begun without a sales contract or because the original sales contract had been canceled (collectively known as “speculative” or “spec” homes).

Warranty Program

We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined standards of performance. In addition, we provide a limited warranty for up to ten years covering only certain defined structural element failures. Our warranties are issued, administered and insured, subject to applicable self-insured retentions, by independent third parties.

Since we subcontract our homebuilding work to subcontractors whose contracts generally include an indemnity obligation and a requirement that certain minimum insurance requirements be met, including providing us with a certificate of insurance prior to receiving payments for their work, many claims relating to workmanship and materials are the primary responsibility of our subcontractors.

In addition, we maintain third-party insurance, subject to applicable self-insured retentions, for most construction defects that we encounter in the normal course of business. We believe that our warranty and litigation accruals and third-party insurance are adequate to cover the ultimate resolution of our potential liabilities associated with known and anticipated warranty and construction defect related claims and litigation. Please see Note 9 of notes to the consolidated financial statements in this Form 10-K for additional information. However, there can be no assurance that the terms and limitations of the limited warranty will be effective against claims made by homebuyers; that we will be able to renew our insurance coverage or renew it at reasonable rates; that we will not be liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible construction defects, soil subsidence, or building related claims; or that claims will not arise out of events or circumstances not covered by insurance and/or not subject to effective indemnification agreements with our subcontractors.

Customer Financing

As previously mentioned, we do not provide mortgage origination services. Unlike many of our peers, we have no ownership interest in any lender and are able to promote competition among lenders on behalf of our customers through our Mortgage Choice program. Approximately 94% of our fiscal 2020 customers elected to finance a portion of their home purchase.

Competition

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 many 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 and available rental housing.

We utilize our experience within our geographic markets and the breadth of our product line to vary regional product offerings to reflect changing market conditions. We strive to respond to market conditions and to capitalize on the opportunities for advantageous land acquisitions in desirable locations. Our product offerings strive to provide extraordinary value at an affordable price with intentional focus on Millennials and Baby Boomers because they are the two largest demographic groups of potential home buyers.

Government Regulation and Environmental Matters

In most instances, 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. 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. Many governmental authorities have imposed impact fees as a means of defraying the cost of providing certain governmental services to developing areas. To date, these governmental approval processes have not had a material adverse effect on our development activities, and all homebuilders in a given market face the same fees and restrictions. However, there can be no assurance 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, "slow-growth" or "no-growth" initiatives, or building permit allocation ordinances, which could be implemented in the future in the markets in which we operate. Substantially all of our land is entitled and, therefore, moratoriums generally adversely affect us only 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 communities in their jurisdictions. However, these fees are normally established 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. Our communities in California are especially susceptible to restrictive government regulations and environmental laws, particularly surrounding water usage due to continuing drought conditions within that region.

In order to provide homes to homebuyers qualifying for Federal Housing Administration (FHA)-insured or Veterans Affairs (VA)-guaranteed mortgages, we must construct homes in compliance with FHA and VA regulations. These laws and regulations include provisions regarding operating procedures, investments, lending, and privacy disclosures and premiums.

In some states, we are required to be registered as a licensed contractor and comply with applicable rules and regulations. Also, in various states, our new home counselors are required to be licensed real estate agents and to comply with the laws and regulations applicable to real estate agents.

Failure to comply with any of these laws or regulations, where applicable, could result in loss of licensing and a restriction of our business activities in the applicable jurisdiction.

Health and Safety Matters

We strive to provide a safe and healthy work environment for all employees. We believe that corporate social responsibility is an essential factor for our overall success. This includes adopting ethical practices to direct how we do business while keeping the interests of our stakeholders and the environment in mind.

The objectives of our practices and policies underscore this commitment:

- To treat all employees with dignity and respect. Employee diversity and inclusion are embraced and opportunities for training, growth, and advancement are strongly encouraged.
- To uphold ethical standards and comply with applicable laws and our internal guidelines, including a Code of Conduct applicable to all employees and an actively-managed ethics hotline.
- To promote the idea that the quality of our products and employee well-being are predicated on a safe and healthy work environment. Our Safety First culture focuses on the safety of our people at every level of the organization.

We are also committed to maintaining high standards in health and safety at all of our sites. We have a health and safety audit system that includes comprehensive independent third-party inspections. All of our team members are required to attend certain health and safety related training programs applicable to their respective job responsibilities.

Bonds and Other Obligations

In connection with the development of our communities, we are frequently required to provide performance, maintenance, and other bonds and letters of credit 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. As of September 30, 2020, we had outstanding letters of credit and surety bonds of $48.8 million and $248.2 million, respectively, primarily related to our obligations to local governments to construct roads and other improvements in various developments.

Employees and Subcontractors

As of September 30, 2020, we employed 1,063 persons, of whom 301 were sales and marketing personnel and 252 were construction personnel. Although none of our employees are covered by collective bargaining agreements, at times certain of the independent subcontractors engaged by us may be represented by labor unions or may be subject to collective bargaining arrangements. We believe that our relations with our employees and subcontractors are good.

Available Information

Our Internet website address is www.beazer.com and our mobile site is m.beazer.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act are available free of charge through our website as soon as reasonably practicable after we electronically file with or furnish them to the Securities and Exchange Commission (SEC), and are available in print to any stockholder who requests a printed copy. The public may also read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Furthermore, the SEC maintains a website that contains reports, proxy statements, information statements and other information regarding issuers, including us, that file electronically with the SEC at www.sec.gov.

In addition, many of our corporate governance documents are available on our website at www.beazer.com. Specifically, our Audit, Finance, Compensation, and Nominating/Corporate Governance Committee Charters, our Corporate Governance Guidelines and Code of Business Conduct and Ethics are available. Each of these documents is also available in print to any stockholder who requests it.

The content on our website and mobile site is available for information purposes only and is not a part of and shall not be deemed incorporated by reference in this Form 10-K.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as other information in this Form 10-K, before deciding whether to invest in shares of our common stock. The occurrence of any of the events described below could harm our business, financial condition, results of operations, and growth prospects. In such an event, the trading price of our common stock may decline, and you may lose all or part of your investment.

Business and Market Risks

A number of conditions that affect demand for the homes we sell are outside of our control. Many of these conditions, such as interest rates, inflation, employment levels, wage levels and governmental actions also impact consumer confidence, upon which our business is highly dependent.

Changes in national and regional economic conditions, as well as local economic conditions where we conduct our operations, may result in more caution on the part of homebuyers and, consequently, fewer home purchases. These economic uncertainties involve, among other things, interest rates, inflation, employment levels, wage growth and governmental actions, all of which are out of our control and affect the affordability of, and demand for, the homes we sell. These conditions also impact consumer confidence, upon which our business is highly dependent. Adverse changes in any of these conditions could decrease demand and pricing for our homes or result in customer cancellations of pending contracts, which could adversely affect the number of home sales we make or reduce home prices, either of which could result in a decrease in our revenues and earnings and adversely affect our financial condition.

Our business could be materially and adversely disrupted by an epidemic or pandemic (such as the present outbreak and worldwide spread of COVID-19), or similar public threat, or fear of such an event, and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it.

An epidemic, pandemic or similar serious public health issue, and the measures undertaken by governmental authorities to address it, could significantly disrupt or prevent us from operating our business in the ordinary course for an extended period, and thereby, and/or along with any associated economic and/or social instability or distress, have a material adverse impact on our consolidated financial statements.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic and recommended containment and mitigation measures. On March 13, 2020, the United States declared a national emergency concerning the outbreak, and many states and municipalities have since declared public health emergencies. Along with these declarations, there have been extraordinary and wide-ranging actions taken by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions across the United States and the world, including quarantines, “stay-at-home” or "shelter in place" orders and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations.

In response to these steps, in mid-March 2020, we temporarily closed our sales centers, model homes and design studios to the general public and shifted to an appointment-only personalized home sales process where permitted, following recommended social distancing and other health and safety protocols when meeting in person with a customer. In addition, we shifted our corporate and division office functions to work remotely. These measures, combined with limiting our construction operations to authorized activities and a reduction in the availability, capacity and efficiency of municipal and private services necessary to the progress of land development, homebuilding, completing mortgage loans and delivering homes, which in each case has varied by market depending on the scope of the restrictions local authorities have established, tempered our sales pace and delayed home deliveries beginning in the latter part of March and through most of our third fiscal quarter. We also prioritized our warranty service activities to respond to emergency repair requests, and otherwise on a by-exception basis. We are uncertain of the potential full magnitude or duration of the business and economic impacts from the unprecedented public health effort to contain and combat the spread of COVID-19, which include, among other things, significant volatility in financial markets and a sharp decrease in the value of equity securities, including our common stock. In addition, we can provide no assurance as to whether the COVID-19 public health effort will be intensified to such an extent that we will not be able to conduct any business operations in certain of our served markets or at all for an indefinite period.

Our business could also be negatively impacted over the medium-to-longer term if the disruptions related to the COVID-19 pandemic decrease consumer confidence generally or with respect to purchasing a home; cause civil unrest; or precipitate a prolonged economic downturn and/or an extended rise in unemployment or tempering of wage growth, any of which could lower demand for our products; impair our ability to sell and build homes in a typical manner or at all, generate revenues and cash flows, and/or access the Facility (as defined below) or the capital or lending markets (or significantly increase the costs of doing so), as may be necessary to sustain our business; increase the costs or decrease the supply of building materials or the availability of subcontractors and other talent, including as a result of infections or medically necessary or recommended self-quarantining, or governmental mandates to direct production activities to support public health efforts; and/or result in our recognizing charges in future periods, which may be material, for goodwill impairments, inventory impairments, and/or land option contract abandonments. Any sustained or prolonged reductions in future earnings periods may change our conclusions on whether we are more likely than not to realize portions of our deferred tax assets. The inherent uncertainties surrounding the COVID-19 pandemic, due in part to rapidly changing governmental directives, public health challenges and progress, and market reactions thereto, also makes it more challenging for our management to estimate the future performance of our business and develop strategies to generate growth or achieve any initial or revised objectives for 2021.

Should the adverse impacts described above (or others that are currently unknown) occur, whether individually or collectively, we would expect to experience, among other things, decreases in our net new orders, home closings, average selling prices, revenues and profitability, some of which we have experienced in our second and third fiscal quarters, and such impacts could be material to our consolidated financial statements for the current fiscal year and beyond. In addition, should public health efforts related to the COVID-19 pandemic intensify to such a degree that we cannot operate in some or all of our served markets, the number of home orders we receive and home closings we complete, if any during such period (which may be prolonged), may be significantly lower than historical norms. Along with an increase in cancellations of home purchase contracts, if there are prolonged government restrictions on our business and our customers, and/or an extended economic recession, we could be unable to produce revenues and cash flows sufficient to conduct our business; meet the terms of our covenants and other requirements under the Facility, our senior notes and the related indenture, and/or mortgages and land contracts due to land sellers and other loans; service our outstanding debt. Such a circumstance could, among other things, exhaust our available liquidity (and ability to access liquidity sources) and/or trigger an acceleration to pay a significant portion or all of our then-outstanding debt obligations, which we may be unable to do.

Because almost all of our customers require mortgage financing, increases in interest rates could negatively affect the affordability of the homes we sell. In addition, reductions in mortgage availability or increases in the effective costs of owning a home could prevent our customers from buying our homes and adversely affect our business and financial results.

Substantially all of the purchasers of our homes finance their acquisition with mortgage financing. Mortgage interest rates have remained low compared to most historical periods for the last several years, which has made the homes we sell more affordable. Mortgage rates have continuously fallen in fiscal years 2019 and 2020 due in part to Federal Reserve interest rate reductions, decelerating economic growth and other factors. However, given the recent volatility in interest rates, we cannot predict whether interest rates will continue to fall or remain low or rise. Increases in interest rates increase the costs of owning a home and could adversely affect the purchasing power of consumers and lower demand for the homes we sell, which could result in a decrease in our revenues and earnings and adversely affect our financial condition.

The availability of mortgage financing is significantly influenced by governmental entities such as the Federal Housing Administration, Veteran's Administration and Government National Mortgage Association and government-sponsored enterprises known as Fannie Mae and Freddie Mac. If these or other lenders' borrowing standards are tightened and/or the federal government were to reduce or eliminate these mortgage loan programs (including due to any failure of lawmakers to agree on a budget or appropriation legislation to fund relevant programs or operations), it would likely make it more difficult for our customers to obtain acceptable financing, which would, in turn, adversely affect our business, financial condition and results of operations.

Mortgage interest expense and real estate taxes represent significant costs of homeownership. Therefore, when there are changes in federal or state income tax laws that eliminate or substantially limit the income tax deductions relating to these expenses, the after-tax costs of owning a new home can increase significantly. For example, the Tax Cuts and Jobs Act, which was enacted in December 2017, includes provisions that impose significant limitations with respect to these income tax deductions. Under this legislation, through the end of 2025, the annual deduction for real estate property taxes and state and local income or sales taxes has been limited to a combined amount of $10,000 ($5,000 in the case of a separate return filed by a married individual). In addition, through the end of 2025, the deduction for mortgage interest will generally only be available with respect to acquisition indebtedness that does not exceed $750,000 ($375,000 in the case of a separate return filed by a married individual). We believe changes such as these adversely impact the demand for and sales prices of homes in certain markets, including parts of California, Maryland, and Virginia, and therefore could adversely affect our business, financial condition and results of operations.

If we are unsuccessful in competing against our competitors, our market share could decline or our growth could be impeded and, as a result, our financial condition and results of operations could suffer.

Competition in the homebuilding industry is intense, and there are relatively low barriers to entry into our business. Increased competition could hurt our business, as it could prevent us from acquiring attractive parcels of land on which to build homes or make such acquisitions more expensive, hinder our market share expansion and lead to pricing pressures on our homes that may adversely impact our margins and revenues. If we are unable to successfully compete, our financial results could suffer and our ability to service our debt could be adversely affected. Our competitors may independently develop land and construct housing units that are superior or substantially similar to our products. Furthermore, many of our competitors have substantially greater financial resources, less leverage and lower costs of funds and operations than we do. Many of these competitors also have longstanding relationships with subcontractors and suppliers in the markets in which we operate. We currently build in several of the top markets in the nation and, therefore, we expect to continue to face additional competition from new entrants into our markets.

The homebuilding industry is cyclical. A downturn in the industry could adversely affect our business, financial condition and results of operations.

During periods of downturn in the homebuilding industry, housing markets across the United States may experience an oversupply of both new and resale home inventory, an increase in foreclosures, reduced levels of consumer demand for new homes, increased cancellation rates, aggressive price competition among homebuilders and increased incentives for home sales. In the event of a downturn, we may experience a material reduction in revenues and margins and our financial condition as well as our results of operations could be adversely affected.

The market value of our land and/or homes may decline, leading to impairments or other charges and reduced profitability.

We regularly acquire land for replacement and expansion of our land inventory within our existing and new markets. The market value of land, building lots and housing inventories can fluctuate significantly as a result of changing market conditions. While we employ measures to manage inventory risk, we may not be able to adequately insulate our operations from a severe drop in inventory values. As a result, we may incur impairment charges or have to sell land at a loss. For example, during the second quarter of fiscal 2019, we recognized impairments of $110.0 million on projects in progress and $38.6 million on land held for sale. See Note 5 of the notes to our consolidated financial statements in this Form 10-K. In addition, when market conditions are such that land values are not appreciating, option contracts previously entered into may become less desirable, at which time we may elect to forgo deposits and pre-acquisition costs and terminate the agreements, which could result in abandonment charges. Material impairment charges, abandonment charges or other write-downs of assets could adversely affect our financial condition and results of operations.

Negative publicity or poor relations with the residents of our communities could negatively impact sales, which could cause our revenues or results of operations to decline.

Unfavorable media related to our industry, company, brands, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of its accuracy or inaccuracy. Our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing media environment. Adverse publicity or negative commentary on social media outlets could hurt operating results, as consumers might avoid or protest brands that receive bad press or negative reviews. Negative publicity may result in a decrease in our operating results. In addition, residents of communities we develop may look to us to resolve issues or disputes that may arise in connection with the operation or development of their communities. Efforts made by us to resolve these issues or disputes could be deemed unsatisfactory by the affected residents, and subsequent actions by these residents could adversely affect sales or our reputation.

Operational, Legal and Regulatory Risks

Our long-term success depends on our ability to acquire finished lots and undeveloped land suitable for residential homebuilding at reasonable prices, in accordance with our land investment criteria.

The homebuilding industry is highly competitive for suitable land and the risk inherent in purchasing and developing land increases as consumer demand for housing increases. The availability of finished and partially finished developed lots and undeveloped land for purchase that meet our investment criteria depends on a number of factors outside our control, including land availability in general, competition with other homebuilders and land buyers, inflation in land prices, zoning, allowable housing density, the ability to obtain building permits and other regulatory requirements. Should suitable lots or land become less available, the number of homes we may be able to build and sell could be reduced, and the cost of land could increase, perhaps substantially, which could adversely impact our financial condition and results of operations.

As competition for suitable land increases, the cost of acquiring both finished and undeveloped lots and the cost of developing owned land could rise, and the availability of suitable land at acceptable prices may decline, which could adversely impact our financial results. The availability of suitable land assets could also affect the success of our land acquisition strategy and ultimately our long-term strategic goals by impacting our ability to increase the number of actively selling communities, grow our revenues and margins and achieve or maintain profitability.

Supply shortages and other risks related to the demand for skilled labor and building materials could increase costs, delay deliveries and could adversely affect our financial condition and results of operations.

The residential construction industry experiences price fluctuations and shortages in labor and materials from time to time. Shortages in labor can be due to shortages in qualified trades people, changes in immigration laws and trends in labor migration, lack of availability of adequate utility infrastructure and services, or our need to rely on local subcontractors who may not be adequately capitalized or insured. Labor and material shortages can be more severe during periods of strong demand for housing or during periods in which the markets where we operate experience natural disasters such as hurricanes or flooding as discussed more fully below. Pricing for labor and materials can be affected by the factors discussed above, changes in energy prices, and various other national, regional and local economic and political factors. For example, government imposed tariffs and trade regulations on imported building supplies have, and in the future could have, significant impacts on the cost to construct our homes. Such measures limit our ability to control costs, which if we are not able to successfully offset such increased costs through higher sales prices, could adversely affect our margins on the homes we build.

Reduced numbers of home sales extend the time it takes us to recover land purchase and property development costs, negatively impacting profitability and our results of operations.

We incur many costs even before we begin to build homes in a community. Depending on the stage of development a land parcel is in when we acquire it, these may include costs of preparing land, finishing and entitling lots, installing roads, sewers, water systems and other utilities, taxes and other costs related to ownership of the land on which we plan to build homes. If the rate at which we sell and deliver homes slows, or if we delay the opening of new home communities, we may incur additional pre-construction costs and it may take longer for us to recover our costs, which could adversely affect our profitability and results of operations.

We could experience a reduction in home sales and revenues due to our inability to acquire and develop land for our communities if we are unable to obtain reasonably priced financing.

The homebuilding industry is capital intensive and homebuilding requires significant up-front expenditures to acquire land and to begin development. Accordingly, we incur substantial indebtedness to finance our homebuilding activities. If internally generated funds are not sufficient, we would 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. The amount and types of indebtedness that we may incur are limited by the terms of our existing debt. In addition, the availability of borrowed funds, especially for land acquisition and construction financing, may be greatly reduced nationally, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with both new loans and the extension of existing loans. The credit and capital markets have continued to experience significant volatility. If we are required to seek additional financing to fund our operations, the volatility in these markets may restrict our flexibility to access such financing. If we are not successful in obtaining sufficient capital to fund our planned capital and other expenditures, we may be unable to acquire land for our housing developments, thereby limiting our anticipated growth and community count. Additionally, if we cannot obtain additional financing to fund the purchase of land under our option contracts, we may incur contractual penalties and fees.

An increase in cancellation rates may negatively impact our business and lead to imprecise estimates related to homes to be delivered in the future (backlog).

Our backlog reflects the number and value of homes for which we have entered into a sales contract with a customer but have not yet delivered the home. Although these sales contracts typically require a cash deposit and do not make the sale contingent on the sale of the customer's existing home, in some cases a customer may cancel the contract and receive a complete or partial refund of the deposit as a result of local laws or as a matter of our business practices. If industry or economic conditions deteriorate or if mortgage financing becomes less accessible, more homebuyers may have an incentive to cancel their contracts with us, even where they might be entitled to no refund or only a partial refund, rather than complete the purchase. Significant cancellations have had, and could have, a material adverse effect on our business as a result of lost sales revenue and the accumulation of unsold housing inventory. It is important to note that both backlog and cancellation metrics are operational, rather than accounting data, and should be used only as a general gauge to evaluate our performance. There is an inherent imprecision in these metrics based on an evaluation of qualitative factors during the transaction cycle.

Natural disasters and other related events could result in delays in land development or home construction, increase our costs or decrease demand in the impacted areas.

The climates and geology of many of the states in which we operate, including California, Florida, Georgia, North Carolina, South Carolina, Tennessee, Texas and certain mid-Atlantic states, present increased risks of natural disasters. To the extent that hurricanes, tornadoes, severe storms, heavy or prolonged precipitation, earthquakes, droughts, floods, wildfires or other natural disasters or similar events occur, our homes under construction or our building lots in such states could be damaged or destroyed, which may result in losses exceeding our insurance coverage. For example, in fiscal 2017 and 2018, Hurricanes Harvey, Irma and Florence disrupted our operations in Texas, Florida, North Carolina and South Carolina, which resulted in what we believe were temporary reductions in sales and closings. Natural disasters can also lead to increased competition for subcontractors, which can delay our progress even after the event has concluded. Additionally, and as discussed above, increased competition for skilled labor can lead to cost overruns, as we may have to incentivize the impacted region's limited trade base to work on our homes. Finally, natural disasters and other related events may also temporarily impact demand, as buyers are not as willing to shop for new homes during or after the event. These risks could adversely affect our business, financial condition and results of operations.

Inflation may adversely affect us by increasing costs beyond what we can recover through price increases.

Inflation can adversely affect us by increasing costs of land, materials and labor. In addition, inflation is often accompanied by higher interest rates. In an inflationary environment, depending on homebuilding industry and other economic conditions, we may be unable to raise home prices enough to keep up with the rate of inflation, which would reduce our profit margins. Although the rate of inflation has been low for the last several years, during the same period we have experienced, and we continue to experience, increases in the prices of land, labor and materials above the general inflation rate.

We may incur additional operating expenses or longer construction cycle times due to compliance programs or fines, penalties and remediation costs pertaining to environmental regulations within our markets. Additionally, any violations of such regulations could harm our reputation, thereby negatively impacting our financial condition and results of operations.

We are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. The particular environmental laws that apply to any given community vary greatly according to the location of the community site, the site's environmental conditions and the present and former use of the site. Environmental laws may result in delays, may cause us to implement time consuming and expensive compliance programs and may prohibit or severely restrict development in certain environmentally sensitive regions or areas. From time to time, the United States Environmental Protection Agency (EPA) and similar federal or state agencies review homebuilders' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs or harm our reputation. Further, we expect that increasingly stringent requirements will be imposed on homebuilders in the future. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials such as lumber. Our communities in California are especially susceptible to restrictive government regulations and environmental laws, particularly surrounding water usage due to continuing drought conditions within that region.

In addition, there is a growing concern from advocacy groups and the general public that the emissions of greenhouse gases and other human activities have caused, or will cause, significant changes in weather patterns and temperatures and the frequency and severity of natural disasters. Government mandates, standards and regulations enacted in response to these projected climate changes impacts could result in restrictions on land development in certain areas or increased energy, transportation and raw material costs that may adversely affect our financial condition and results of operations.

We are subject to extensive government regulation, which could cause us to incur significant liabilities or restrict our business activities.

Regulatory requirements could cause us to incur significant liabilities and operating expenses and could restrict our business activities. We are subject to local, state and federal statutes and rules regulating, among other things, certain developmental matters, building and site design, the availability of water and matters concerning the protection of health, safety and the environment. Our operating costs may be increased by governmental regulations, such as building permit allocation ordinances and impact and other fees and taxes, which may be imposed to defray the cost of providing certain governmental services and improvements. Other governmental regulations, such as building moratoriums and "no growth" or "slow growth" initiatives, which may be adopted in communities that have developed rapidly, may cause delays in new home communities or otherwise restrict our business activities, resulting in reductions in our revenues. Any delay or refusal from government agencies to grant us necessary licenses, permits and approvals could have an adverse effect on our financial condition and results of operations.

We may be subject to significant potential liabilities as a result of construction defect, product liability and warranty claims made against us.

As a homebuilder, we have been, and continue to be, subject to construction defect, product liability and home warranty claims, including moisture intrusion and related claims, arising in the ordinary course of business. These claims are common to the homebuilding industry and can be costly.

With respect to certain general liability exposures, including construction defect claims, product liability claims and related claims, assessment of claims and the related liability and reserve estimation process is highly judgmental due to the complex nature of these exposures and unique circumstances of each claim. Furthermore, once claims are asserted for construction defects, it can be difficult to determine the extent to which the assertion of these claims will expand geographically. Although we have obtained insurance for construction defect claims, such policies may not be available or adequate to cover liability for damages, the cost of repairs and/or the expense of litigation. Current and future claims may arise out of events or circumstances not covered by insurance and not subject to effective indemnification agreements with our subcontractors.

At any given time, we are the subject of pending civil litigation that could require us to pay substantial damages or could otherwise have a material adverse effect on us.

Certain of our subsidiaries have been named in class action and multi-party lawsuits regarding claims made by homebuyers. We are also party to putative class action lawsuits related to the inventory impairment charges we recognized during fiscal 2019. We cannot predict or determine the timing or final outcome of the current lawsuits, or the effect that any adverse determinations the lawsuits may have on us. An unfavorable determination in any of the lawsuits could result in the payment by us of substantial monetary damages that may not be covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and the Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our business, financial condition and results of operations. In addition to expenses incurred to defend the Company in these matters, under Delaware law and our bylaws, we may have an obligation to indemnify our current and former officers and directors in relation to these matters. We have obligations to advance legal fees and expenses to directors and certain officers.

Our insurance carriers may seek to rescind or deny coverage with respect to certain of the pending lawsuits, or we may not have sufficient coverage under such policies. If the insurance companies are successful in rescinding or denying coverage, or if we do not have sufficient coverage under our policies, our business, financial condition and results of operations could be materially adversely affected.

Our operating expenses could increase if we are required to pay higher insurance premiums or litigation costs for various claims, which could negatively impact our financial condition and results of operations. Additionally, our insurance policies may not offset our entire expense due to limitation in coverages, amounts payable under the policies or other related restrictions.

The costs of insuring against construction defect, product liability and director and officer claims are substantial. Increasingly in recent years, lawsuits (including class action lawsuits) have been filed against builders, asserting claims of personal injury and property damage. Our insurance may not cover all of the claims, including personal injury claims, or such coverage may become prohibitively expensive. If we are not able to obtain adequate insurance against these claims, we may experience losses that could negatively impact our financial condition and results of operations, as well as our cash flows.

Historically, builders have recovered from subcontractors and their insurance carriers a significant portion of the construction defect liabilities and costs of defense that the builders have incurred. However, insurance coverage available to subcontractors for construction defects is becoming increasingly expensive and the scope of coverage is restricted. If we cannot effectively recover from our subcontractors or their carriers, we may suffer even greater losses.

A builder's ability to recover against any available insurance policy depends upon the continued solvency and financial strength of the insurance carrier that issued the policy. Many of the states in which we build homes have lengthy statutes of limitations applicable to claims for construction defects. To the extent that any carrier providing insurance coverage to us or our subcontractors becomes insolvent or experiences financial difficulty in the future, we may be unable to recover on those policies, thereby negatively impact our financial condition and results of operations.

We are dependent on the services of certain key employees and the loss of their services could hurt our business.

Our future success depends upon our ability to attract, train and retain skilled personnel, including officers and directors. If we are unable to retain our key employees or attract, train or retain other skilled personnel in the future, it could hinder our business strategy and impose additional costs of identifying and training new individuals. Competition for qualified personnel in all of our operating markets, as well as within our corporate operations, is intense.

Terrorist attacks or acts of war against the United States or increased domestic or international instability could have an adverse effect on our operations.

Adverse developments in the war on terrorism, terrorist attacks against the United States or any outbreak or escalation of hostilities between the United States and any foreign power may cause disruption to the economy, our Company, our employees and our customers, which could negatively impact our financial condition and results of operations.

Information technology failures, cybersecurity breaches or data security breaches could harm our business.

We use information technology and other computer resources to perform important operational and marketing activities and to maintain our business records. Certain of these resources are provided to us and/or maintained by third-party service providers pursuant to agreements that specify certain security and service level standards. Our computer systems, including our back-up systems and portable electronic devices, and those of our third-party providers, are subject to damage or interruption from power outages, computer and telecommunication failures, computer viruses, security breaches including malware and phishing, cyberattacks, natural disasters, usage errors by our employees or contractors and other related risks. As part of our normal business activities, we collect and store certain confidential information, including information about employees, homebuyers, customers, vendors and suppliers. This information is entitled to protection under a number of regulatory regimes. We share some of this information with third parties who assist us with certain aspects of our business. A significant and extended disruption of or breach of security related to our computer systems and back-up systems may result in business disruption, damage our reputation and cause us to lose customers, sales and revenue, result in the unintended misappropriation of proprietary, personal and confidential information and require us to incur significant expense to remediate or otherwise resolve these issues including financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs and other competitive disadvantages. While, to date, we have not had a significant cybersecurity breach or attack that had a material impact on our business or results of operations, there can be no assurance that our efforts to maintain the security and integrity of these types of IT networks and related systems will be effective or that attempted security breaches or disruptions would not be successful or damaging.

Financial and Liquidity Risks

Our access to capital and our ability to obtain additional financing could be affected by any downgrade of our credit ratings, as well as limitations in the capital markets or adverse credit market conditions.

The Company's credit rating and ratings on our senior notes and our current credit condition affect, among other things, our ability to access new capital, especially debt. Negative changes in these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. If our credit ratings are lowered or rating agencies issue adverse commentaries in the future, it could have a material adverse effect on our business, financial condition, results of operations and liquidity. In particular, a weakening of our financial condition, including a significant increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, result in a credit rating downgrade or change in outlook, or otherwise increase our cost of borrowing.

Our senior notes, revolving credit facility, letter of credit facilities and certain other debt impose significant restrictions and obligations on us. Restrictions on our ability to borrow could adversely affect our liquidity. In addition, our substantial indebtedness could adversely affect our financial condition, limit our growth and make it more difficult for us to satisfy our debt obligations.

Our senior notes, revolving credit facility, unsecured term loan, letter of credit facilities and other debt impose certain restrictions and obligations on us. Under certain of these instruments, we must comply with defined covenants that limit our ability to, among other things, incur additional indebtedness, engage in certain asset sales, make certain types of restricted payments, engage in transactions with affiliates and create liens on our assets. Failure to comply with certain of these covenants could result in an event of default under the applicable instrument. Any such event of default could negatively impact other covenants or lead to cross defaults under certain of our other debt agreements. There can be no assurance that we will be able to obtain any waivers or amendments that may become necessary in the event of a future default situation without significant additional cost or at all.

Our substantial indebtedness could have important consequences to us and the holders of our securities, including, among other things:

- causing us to be unable to satisfy our obligations under our debt agreements;
- causing us to pay higher interest rates upon refinancing indebtedness if interest rates rise;
- making us more vulnerable to adverse general economic and industry conditions;
- making it difficult to fund future working capital, land purchases, acquisitions, capital expenditures, share repurchases, general corporate or other activities; and
- causing us to be limited in our flexibility in planning for, or reacting to, changes in our business.

In addition, subject to the restrictions of our existing debt instruments, we may incur additional indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify. Our growth plans and our ability to make payments of principal or interest on, or to refinance, our indebtedness will depend on our future operating performance and our ability to enter into additional debt and/or equity financings. If we are unable to generate sufficient cash flows in the future to service our debt, we may be required to refinance all or a portion of our existing debt, to sell assets or to obtain additional financing. We may not be able to do any of the foregoing on terms acceptable to us, if at all.

The tax benefits of our pre-ownership change net operating loss carryforwards and built-in losses were substantially limited since we experienced an “ownership change” as defined in Section 382 of the Internal Revenue Code, and portions of our deferred income tax asset have been written off since they were not fully realizable. Any subsequent ownership change, should it occur, could have a further impact on these tax attributes.

Section 382 of the Internal Revenue Code contains rules that limit the ability of a company that undergoes an “ownership change,” which is generally defined as any change in ownership of more than 50% of its common stock over a three-year period, to utilize its net operating loss carryforwards and certain built-in losses or deductions, as of the ownership change date, that are recognized during the five-year period after the ownership change. These rules generally operate by focusing on changes in the ownership among shareholders owning, directly or indirectly, 5% or more of the company's common stock (including changes involving a shareholder becoming a 5% shareholder) or any change in ownership arising from a new issuance of stock or share repurchases by the company.

We believe we have significant “built-in losses” in our assets, i.e., an excess tax basis over current fair market value, which may result in tax losses as such assets are sold. Net operating losses generally may be carried forward for a 20-year period to offset future earnings and reduce our federal income tax liability. Any net operating losses created during or after our fiscal 2019 may be carried forward indefinitely; however, the loss can only be utilized to offset 80% of taxable income generated in a tax year. Built-in losses, if and when recognized, generally will result in tax losses that may then be deducted or carried forward. However, we experienced an “ownership change” under Section 382 as of January 12, 2010. As a result of this previous “ownership change” for purposes of Section 382, our ability to use certain net operating loss carryforwards and built-in losses or deductions in existence prior to the ownership change was limited by Section 382. We cannot predict or control the occurrence or timing of another ownership change in the future. If another ownership change were to occur, the limitations imposed by Section 382 could result in a material amount of our net operating loss carryforwards expiring unused and, therefore, significantly impair the future value of our deferred tax assets.

Our certificate of incorporation prohibits certain transfers of our common stock that could result in an ownership change. In addition, we are party to a rights agreement intended to act as a deterrent to any person desiring to acquire 4.95% or more of our common stock. In February 2019, our stockholders approved an extension of these protective provisions in our certificate of incorporation and the rights agreement, which as a result are scheduled to expire on November 2022. Any extension of these protective provisions and our entry into a new rights agreement will require additional approval by our stockholders. We cannot guarantee that the requisite stockholder approvals will be obtained. In addition, neither the protective provisions nor the rights agreement offer a complete solution, and an ownership change may occur even if the protective provisions of our charter are extended and a new rights agreement is approved upon expiration. The protective provisions of our certificate of incorporation may not be enforceable against all stockholders and may not prevent all stock transfers that have the potential to cause a Section 382 ownership shift, and the rights agreement may deter, but ultimately cannot block, all transfers of our common stock that might result in an ownership change.

The realization of all or a portion of our deferred income tax assets (including net operating loss carryforwards) is dependent upon the generation of future income during the statutory carryforward periods. Our inability to utilize our limited pre-ownership change net operating loss carryforwards and recognized built-in losses or deductions, or the occurrence of a future ownership change and resulting additional limitations to these tax attributes, could have a material adverse effect on our financial condition, results of operations and cash flows.

Inefficient or ineffective allocation of capital could adversely affect our operating results and/or stockholder value.

Our goal is to allocate capital to maximize our overall long-term returns. This includes spending on capital projects, such as developing strategic businesses (e.g., the launch of our Gatherings® business in 2016 to meet the needs of the growing 55 plus segment) and acquiring other homebuilders with the potential to strengthen our industry position. In addition, from time to time we may engage in bond repurchases to reduce our indebtedness and return value to our stockholders through share repurchases. If we do not properly allocate our capital, we may fail to produce optimal financial results and we may experience a reduction in stockholder value, including increased volatility in our stock price.

Risk Relating to an Investment in our Common Stock

Our stock price is volatile and could decline.

The securities markets in general and our common stock in particular have experienced significant price and volume volatility over the past several years. The market price and volume of our common stock may continue to experience significant fluctuations due not only to general stock market conditions, but also to a change in sentiment in the market regarding our industry, operations or business prospects. The price and volume volatility of our common stock may be affected by:

- operating results that vary from the expectations of securities analysts and investors;
- factors influencing home purchases, such as higher interest rates and availability of home mortgage loans, credit criteria applicable to prospective borrowers, ability to sell existing residences and homebuyer sentiment in general;
- the operating and securities price performance of companies that investors consider comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors; and
- changes in global financial markets and global economies and general market conditions, such as interest rates, commodity and equity prices and the value of financial assets.

Our ability to raise funds through the issuance of equity or otherwise use our common stock as consideration is impacted by the price of our common stock. A low stock price may adversely impact our ability to reduce our financial leverage, as measured by the ratio of total debt to total capital. Continued high levels of leverage or significant increases may adversely affect our credit ratings and make it more difficult for us to access additional capital. These factors may limit our ability to implement our operating and growth plans.

We experience fluctuations and variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results.

We historically have experienced, and expect to continue to experience, variability in home sales and earnings on a quarterly basis. As a result of such variability, our historical performance may not be a meaningful indicator of future results. Our quarterly results of operations may continue to fluctuate in the future as a result of a variety of both national and local factors, including, among others:

- the timing of home closings and land sales;
- our ability to continue to acquire additional land or secure option contracts to acquire land on acceptable terms;
- conditions of the real estate market in areas where we operate and of the general economy;
- inventory impairments or other material write-downs;
- raw material and labor shortages;
- seasonal home buying patterns; and
- other changes in operating expenses, including the cost of labor and raw materials, personnel and general economic conditions.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of September 30, 2020, we had under lease approximately 35,000 square feet of office space in Atlanta, Georgia to house our corporate headquarters. We also lease and own an aggregate of approximately 191,000 and 7,700 square feet of office space, respectively, for our divisional and shared services operations at various locations. All facilities are in good condition, adequately utilized, and sufficient to meet our present operating needs.

Due to the nature of our business, significant amounts of property are held by us as inventory in the ordinary course of our homebuilding operations. See Note 5 of notes to the consolidated financial statements in this Form 10-K for a further discussion of our inventory.

Item 3. Legal Proceedings

Litigation

In the normal course of business, we are subject to various lawsuits. We cannot predict or determine the timing or final outcome of these lawsuits or the effect that any adverse findings or determinations in pending lawsuits may have on us. In addition, an estimate of possible loss or range of loss, if any, cannot presently be made with respect to certain of these pending matters. An unfavorable determination in any of the pending lawsuits could result in the payment by us of substantial monetary damages that may not be fully covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and our Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our financial condition, results of operations, or cash flows.

For a discussion of our legal proceedings, see Note 9 of the notes to our consolidated financial statements in this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company lists its common stock on the New York Stock Exchange (NYSE) under the symbol “BZH.” On November 9, 2020, the last reported sales price of the Company's common stock on the NYSE was $12.67, and we had approximately 185 stockholders of record and 31,012,826 shares of common stock outstanding.

Dividends

The indentures under which our senior notes were issued contain certain restrictive covenants, including limitations on the payment of dividends. There were no dividends paid during our fiscal 2020, 2019, or 2018. The Board of Directors will periodically reconsider the declaration of dividends, assuming payment of dividends is not limited under our indentures. The reinstatement of quarterly dividends, the amount of such dividends and the form in which the dividends are paid (cash or stock) will depend upon our financial condition, results of operations, and other factors that the Board of Directors deems relevant.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about the Company's shares of common stock that may be issued under our existing equity compensation plans as of September 30, 2020, all of which have been approved by our stockholders:

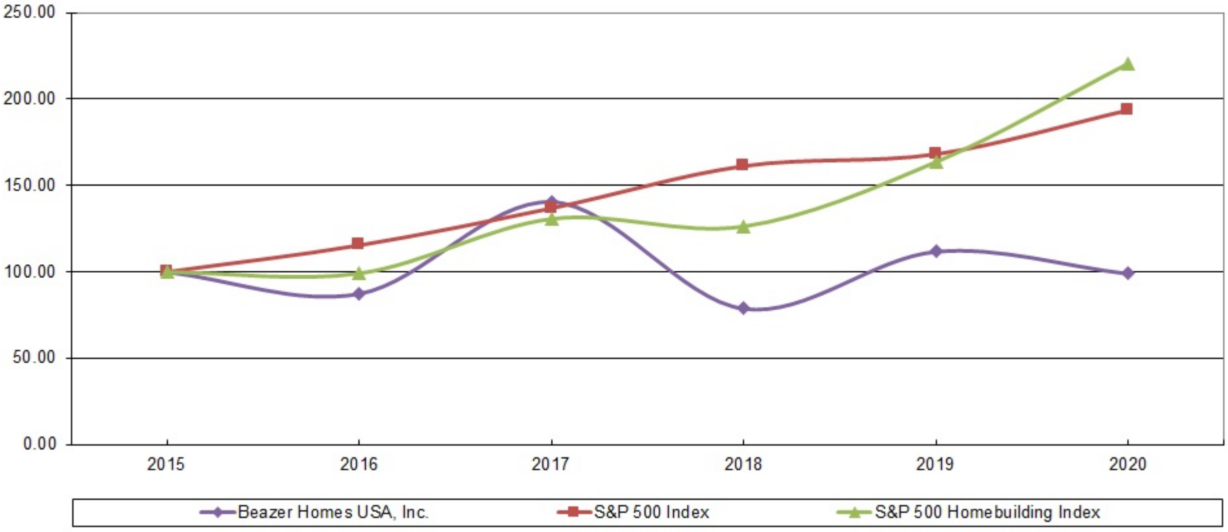
Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	392,465	$15.47	2,337,092

Issuer Purchases of Equity Securities

None.

Performance Graph

The following graph illustrates the cumulative total stockholder return on Beazer Homes' common stock for the last five fiscal years through September 30, 2020 as compared to the S&P 500 Index and the S&P 500 Homebuilding Index. The comparison assumes an investment of $100 at September 30, 2015 in Beazer Homes' common stock and in each of the benchmark indices specified, assumes that all dividends were reinvested, and accounts for the impact of any stock splits, where applicable. Stockholder returns over the indicated period are based on historical data and should not be considered indicative of future stockholder returns.



	Fiscal Year Ended September 30,				
	2016	2017	2018	2019	2020
u Beazer Homes USA, Inc.	87.47	140.59	78.77	111.77	99.02
g S&P 500 Index	115.43	136.91	161.43	168.30	193.80
p S&P 500 Homebuilding Index	99.29	130.74	126.36	163.55	220.32

Item 6. Selected Financial Data

The following table summarizes certain financial data for the periods presented:

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
	($ in millions, except per share amounts and unit data)				
Statements of Operations Data: [a]					
Total revenue	**$ 2,127**	$ 2,088	$ 2,107	$ 1,916	$ 1,822
Gross profit	**348**	166	345	313	297
Gross margin [b]	**16.4 %**	8.0 %	16.4 %	16.3 %	16.3 %
Operating income (loss)	**$ 79**	$ (90)	$ 82	$ 62	$ 59
Income (loss) from continuing operations	**53**	(79)	(45)	32	5
Income (loss) per share from continuing operations - basic	**1.80**	(2.59)	(1.40)	$ 1.00	$ 0.16
Income (loss) per share from continuing operations - diluted	**1.78**	(2.59)	(1.40)	0.99	0.16
Net income (loss)	**$ 52.2**	$ (79.5)	$ (45.4)	$ 31.8	$ 4.7
Balance Sheet Data (end of year): [c]					
Cash, cash equivalents and restricted cash	**$ 343**	$ 123	$ 153	$ 305	$ 243
Inventory	**1,351**	1,504	1,692	1,543	1,569
Total assets	**2,007**	1,958	2,128	2,221	2,213
Total debt	**1,131**	1,178	1,231	1,327	1,332
Stockholders' equity	**593**	539	644	682	643
Supplemental Financial Data: [c]					
Cash provided by (used in):					
Operating activities	**$ 289**	$ 114	$ 55	$ 105	$ 171
Investing activities	**(10)**	(25)	(74)	(14)	(13)
Financing activities	**(59)**	(119)	(132)	(30)	(206)
Financial Statistics: [c]					
Total debt as a percentage of total debt and stockholders' equity (end of year)	**65.6 %**	68.6 %	65.7 %	66.0 %	67.4 %
Net debt as a percentage of net debt and stockholders' equity (end of year) [d]	**57.5 %**	66.5 %	62.9 %	60.3 %	63.2 %
Adjusted EBITDA from total operations [e]	**$ 204.4**	$ 180.2	$ 204.7	$ 178.8	$ 156.3
Adjusted EBITDA margin from total operations [f]	**9.6 %**	8.6 %	9.7 %	9.3 %	8.6 %
Operating Statistics from continuing operations:					
New orders, net	**6,293**	5,576	5,544	5,464	5,297
Closings	**5,492**	5,500	5,767	5,525	5,419
Average selling price on closings (in thousands)	**$ 385.5**	$ 377.7	$ 360.2	$ 343.1	$ 329.4
Units in backlog (end of year)	**2,509**	1,708	1,632	1,855	1,916
Average selling price in backlog (end of year; in thousands)	**$ 396.7**	$ 389.4	$ 384.8	$ 358.9	$ 340.6

[a] Statements of operations data is from continuing operations. Gross profit includes inventory impairments and abandonments of $2.9 million, $148.6 million, $6.5 million, $2.4 million, and $15.3 million for the fiscal years ended September 30, 2020, 2019, 2018, 2017, and 2016, respectively, as well as unexpected warranty costs and additional insurance recoveries from our third-party insurer, both of which are detailed in the table below that reconciles our net income to Adjusted EBITDA (subsequently defined). The aforementioned charges related to impairments and abandonments were primarily driven by (1) decision to abandon lots or not exercise certain option contracts and the resulting abandonment charges, (2) reduction in average selling prices taken for certain communities as a result of competitive pressures, and (3) charges taken to write down

land held for sale assets to its net realizable value over the applicable years. Income (loss) from continuing operations for the fiscal years ended 2019, 2018, 2017, and 2016 also includes losses on extinguishment of debt of $24.9 million, $27.8 million, $12.6 million, and $13.4 million, respectively, with no such expense in fiscal 2020.

(b) Gross margin = gross profit divided by total revenue.

(c) Discontinued operations were not segregated in the consolidated balance sheets or consolidated statements of cash flows and are not material in the periods presented.

(d) Net Debt = Total debt less unrestricted cash and cash equivalents and restricted cash related to the cash secured loan, when outstanding.

	Fiscal Year Ended September 30,				
in millions	**2020**	2019	2018	2017	2016
Total debt	**$ 1,131**	$ 1,178	$ 1,231	$ 1,327	$ 1,332
Unrestricted cash and cash equivalents	**328**	107	140	292	229
Net debt	**$ 803**	$ 1,071	$ 1,091	$ 1,035	$ 1,103

(e) EBIT (earnings before interest and taxes) equals net income (loss) before (a) expense (benefit) from income taxes, and (b) previously capitalized interest amortized to home construction and land sales expenses, capitalized interest impaired, and interest expense not qualified for capitalization. EBITDA (earnings before interest, taxes, depreciation, and amortization) is calculated by adding non-cash charges, including depreciation and amortization for the period to EBIT. Adjusted EBITDA is calculated by adding charges, including stock-based compensation, debt extinguishment charges, inventory impairment and abandonment charges, and other non-recurring items for the period to EBITDA. EBITDA and Adjusted EBITDA are not Generally Accepted Accounting Principles (GAAP) financial measures. EBITDA and Adjusted EBITDA should not be considered alternatives to net income (loss) determined in accordance with GAAP as an indicator of operating performance. Because some analysts and companies may not calculate EBITDA and Adjusted EBITDA in the same manner as Beazer Homes, the EBITDA and Adjusted EBITDA information presented above may not be comparable to similar presentations by others.

(f) Adjusted EBITDA margin = Adjusted EBITDA divided by total revenue.

Reconciliation of Adjusted EBITDA to total company net income (loss), the most directly comparable GAAP measure, is provided for each period discussed below. Management believes that Adjusted EBITDA assists investors in understanding and comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective capitalization, tax position, and level of impairments. These EBITDA measures should not be considered alternatives to net income (loss) determined in accordance with GAAP as an indicator of operating performance.

The reconciliation of Adjusted EBITDA to total company net income (loss) below differs from prior year, as it reclassifies stock-based compensation expense from an adjustment within EBITDA to an adjustment within Adjusted EBITDA in order to accurately present EBITDA per its definition.

The following table reconciles our net income (loss) to Adjusted EBITDA for the periods presented:

	Fiscal Year Ended September 30,				
in thousands	**2020**	2019	2018	2017	2016
Net income (loss)	**$ 52,226**	$ (79,520)	$ (45,375)	$ 31,813	$ 4,693
Expense (benefit) from income taxes	**17,664**	(37,245)	94,373	2,621	16,224
Interest amortized to home construction and land sales expenses and capitalized interest impaired	**95,662**	108,941	93,113	88,820	79,322
Interest expense not qualified for capitalization	**8,468**	3,109	5,325	15,636	25,388
EBIT	**174,020**	(4,715)	147,436	138,890	125,627
Depreciation and amortization	**15,640**	14,759	13,807	14,014	13,793
EBITDA	**189,660**	10,044	161,243	152,904	139,420
Stock-based compensation expense	**10,036**	10,526	10,258	8,159	7,959
Loss on extinguishment of debt	**—**	24,920	27,839	12,630	13,423
Inventory impairments and abandonments [(a)]	**2,111**	134,711	4,988	2,389	14,572
Joint venture impairment and abandonment charges	**—**	—	341	—	—
Unexpected warranty costs related to Florida stucco issues (net of expected insurance recoveries)	**—**	—	—	—	(3,612)
Additional insurance recoveries from third-party insurer	**—**	—	—	—	(15,500)
Litigation settlement in discontinued operations	**1,260**	—	—	—	—
Restructuring and severance expenses	**1,317**	—	—	—	—
Write-off of deposit on legacy land investment	**—**	—	—	2,700	—
Adjusted EBITDA	**$ 204,384**	$ 180,201	$ 204,669	$ 178,782	$ 156,262

[(a)] In periods during which we impaired certain of our inventory assets, capitalized interest that is impaired is included in the line above titled “Interest amortized to home construction and land sales expenses and capitalized interest impaired."

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

The following discussion and analysis should be read together with the sections entitled “Risk Factors,” “Selected Financial Data,” and the financial statements and the accompanying notes included elsewhere in this Form 10-K. We have omitted discussion of 2018 results where it would be redundant to include discussion previously included in Item 7 of our 2019 Annual Report on Form 10-K filed with the SEC on November 13, 2019.

In addition, the statements in this discussion and analysis regarding industry outlook, our expectations regarding the performance of our business, anticipated financial results, liquidity and the other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in “Forward-Looking Statements” and in “Risk Factors” above. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Executive Overview and Outlook

Market Conditions

The demand for new and existing homes is dependent on a variety of demographic and economic factors, including job and wage growth, household formation, consumer confidence, mortgage financing, and overall housing affordability. At the start of our fiscal 2020, factors including rising levels of household formation, a constrained supply of new and used homes, wage growth, strong employment conditions and mortgage rates that continue to be low by historical standards were contributing to improving conditions for new home sales.

Beginning in mid-March of fiscal 2020, we experienced extraordinary volatility in business conditions. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and, on March 13, 2020, the United States declared a national emergency concerning the outbreak. In response to the initial onset of the pandemic in the U.S., state and local governmental authorities and institutions implemented containment and mitigation measures, including various “shelter in place” or “stay at home” orders, which created broad and severe economic impacts. However, all the states and local government authorities in the markets in which we operate deemed housing an essential service, which enabled us to continue building and delivering homes to our customers.

In response to the pandemic, we placed our highest priority on helping to protect the health and safety of our employees, customers, and trade partners. We took unprecedented actions in mid-March to temporarily close our sales centers, model homes and design studios to the general public. Our sales teams shifted to an appointment-only home sales process and leveraged virtual sales tools to connect with our customers online. We followed recommended social distancing and other health and safety protocols when meeting in person with a customer and shifted our corporate and division office functions to work remotely. We implemented construction site health and safety guidelines in an effort to ensure both our employees and our trade partners were adhering to safety, hygiene, and social distancing requirements. During the latter part of May, with restrictions easing in many of our markets, we began to take steps to effectively and safely resume nearly all of our operations, while also expanding construction and warranty service activities to the extent permitted by local authorities and our safety protocols.

While the economic recovery following initial containment and mitigation measures is still ongoing, economic conditions in our markets have improved. We believe this is the result of low interest rates and short supply of homes, together with what may be a desire by many people to move out of crowded urban areas into new homes in the suburbs. The strength in our markets may also be partially attributable to pent up demand from the earlier part of the COVID-19 pandemic when more restrictive "stay-at-home" orders were in place. Due to the return of demand towards the end of May, homebuilding gross margin (excluding impairments, abandonments and amortized interest) was 21.2% and 21.7% for the fiscal third quarter and fourth quarter, respectively, up 180 basis points and 180 basis points compared to prior year quarters, respectively.

Despite growth in many of our key operational metrics as housing market conditions improved, the magnitude and duration of the COVID-19 pandemic remains unknown. If economic conditions deteriorate, we expect to experience material declines in our net new orders, closings, revenues, cash flow and/or profitability in fiscal 2021, compared to the corresponding prior-year periods, and compared to our expectations. In addition, if conditions in the overall housing market or in a specific market worsen in the future beyond our current expectations, if future changes in our business strategy significantly affect any key assumptions used in our projections of future cash flows, or if there are material changes in any of the other items we consider in assessing recoverability, we may recognize charges in future periods for inventory impairments related to our current inventory assets. Any such charges could be material to our consolidated financial statements. For further discussion of the potential impacts on our business from the COVID-19 pandemic, see Part I, Item 1A – Risk Factors above.

Overview of Results for Our Fiscal 2020

Fiscal 2020 represented continued progress towards the execution of our balanced growth strategy. Specifically, we have successfully improved our balance sheet by reducing our debt balance, and our strong improvements in net new orders, sales pace, homes in backlog and homebuilding gross margin has positioned us well for fiscal 2021 growth.

Profitability

For the fiscal year ended September 30, 2020, we recorded net income from continuing operations of $53.3 million, an increase of $132.7 million from the prior fiscal year's net loss from continuing operations of $79.4 million. There were certain items that impacted the comparability of our net income (loss) from continuing operations between periods:

- We recorded $2.9 million in inventory impairment and abandonment charges in fiscal 2020, as compared to $148.6 million charges recorded in the prior year.
- We recognized $1.3 million in restructuring and severance charges in fiscal 2020 compared to no such charges in fiscal 2019.
- We recognized $24.9 million in loss on extinguishment of debt in fiscal 2019 compared to no such charges in fiscal 2020.
- Income tax expense from continuing operations was $18.0 million for fiscal 2020 and income tax benefit was $37.2 million for fiscal 2019. The income tax expense in fiscal 2020 primarily resulted from income from operations and our permanent book/tax differences, partially offset by the generation of additional federal tax credits. The income tax benefit in fiscal 2019 primarily resulted from the loss from operations and the generation of additional federal tax credits. Refer to Note 13 of the notes to the consolidated financial statements for additional discussion of these matters.

Balanced Growth Strategy

At the start of our fiscal year, we executed against our long-term balanced growth strategy, which we define as the expansion of earnings at a faster rate than our revenue growth, supported by a less-leveraged and return-driven capital structure. Due to the impacts of the initial onset of the COVID-19 pandemic, we shifted focus to maximizing cash flow, including temporarily reducing or deferring land acquisition and development and general and administrative spending. During the third quarter of fiscal 2020 as conditions in our markets improved, we gradually restarted land acquisition and development spending, while remaining focused on maintaining a strong liquidity position. Currently, we continue to execute against our long-term balanced growth strategy. This strategy provides us with flexibility to increase return on capital, reduce leverage, or increase investment in land and other operating assets in response to changing market conditions. The following is a summary of our performance against certain key operating and financial metrics during the current period:

- **Sales per community per month was 3.2 and 2.8 for the fiscal years ended September 30, 2020 and 2019, respectively.** Our strong emphasis on sales absorptions allowed us to expand the unit and dollar value of our backlog. The increase in sales pace in fiscal 2020 primarily resulted from low interest rates and short supply of homes. Due to the high demand experienced during the fourth fiscal quarter in the homebuilding industry, our sales absorption rate for the quarter ending September 30, 2020 increased to 4.4 compared to 2.9 in the prior year quarter. Over time, we expect sales pace will normalize at the competitive range of 2.8 to 3.2 going forward.
- **Our ASP for homes closed during the fiscal year ended September 30, 2020 was $385.5 thousand, up 2.1% compared to the prior year.** The year-over-year increase in ASP on closings was primarily a function of geographic mix and product shift, though we also benefited from pricing power in most markets. In addition, we ended fiscal 2020 with an ASP of $396.7 thousand for our units in backlog, indicating that ASP growth may continue in the near term.
- **During the year ended September 30, 2020, our net new orders increased to 6,293, up 12.9% from the prior year, while our average active community count of 163 was down 1.7% from the prior year.** Our net new orders for the quarter ending September 30, 2020 increased to 2,009 compared to 1,458 in the prior year quarter, up 37.8%. We ended the year with an active community count of 145 in part due to strong sales pace experienced in the fourth fiscal quarter. We will work to rebuild community counts by investing in new communities. We continue to evaluate strategic opportunities to purchase land within our geographic footprint, balancing our desire to reduce leverage with land acquisition strategies that maximize the efficiency of capital employed.

- **Homebuilding gross margin excluding impairments and abandonments and interest for the fiscal year ended September 30, 2020 was 21.0%, up from 19.7% in the prior year.** With our strong sales paces and strong backlog, we believe opportunities remain for continued gross margin expansion through maximizing revenue while reducing costs by simplifying our product offerings, although cost pressures from lumber and other direct materials costs may temper gross margin expansion in the future.

- **SG&A for the fiscal year ended September 30, 2020 was 11.9% of total revenue compared with 11.6% a year earlier.** We have taken steps to limit overhead expenditures, partly through reducing our workforce which resulted in restructuring and severance charges of $1.3 million for the year ended September 30, 2020. We remain focused on improving overhead cost management in relation to our revenue growth.

- **Capital efficiency, debt reduction, and share repurchases.** We continue to employ a number of strategies to improve capital efficiency, including the use of option contracts, acquisition of shorter duration land parcels, and activation of previously land held for future development communities. In addition, as part of our share repurchase program, we repurchased a total of $3.3 million of our common stock during fiscal 2020 through open market transactions and 10b-1 plans. During fiscal 2020, we also made the first $50.0 million principal payment on our Senior Unsecured Term Loan (see Note 8 of the notes to our consolidated financial statements in this Form 10-K for discussion of debt activities). We expect to continue to reduce outstanding debt during fiscal 2021 with a goal of having less than $1.0 billion of outstanding debt over time.

Seasonal and Quarterly Variability: Our homebuilding operating cycle historically has reflected escalating new order activity in the second and third fiscal quarters and increased closings in the third and fourth fiscal quarters. However, these seasonal patterns may be impacted or reduced by a variety of factors, including periods of economic downturn, which result in decreased revenues and closings. While the first half of fiscal 2020 largely followed our typical seasonal pattern, the impacts of the COVID-19 pandemic resulted in a shift from our typical seasonal trend such that higher levels of new home orders were observed in the fourth fiscal quarter instead of the third fiscal quarter, which we expect will lead to increased closings in the first half of fiscal 2021 as compared to fiscal 2020. The following tables present new order and closings data for the periods presented:

New Orders (Net of Cancellations)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2020	**1,251**	**1,661**	**1,372**	**2,009**	**6,293**
2019	976	1,598	1,544	1,458	5,576
2018	1,110	1,679	1,450	1,305	5,544

Closings

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2020	**1,112**	**1,277**	**1,366**	**1,737**	**5,492**
2019	1,083	1,134	1,269	2,014	5,500
2018	1,066	1,266	1,391	2,044	5,767

RESULTS OF CONTINUING OPERATIONS

The following table summarizes certain key income statement metrics for the periods presented:

	Fiscal Year Ended September 30,		
$ in thousands	**2020**	2019	2018
Revenues:			
Homebuilding	**$ 2,116,910**	$ 2,077,245	$ 2,077,360
Land sales and other	**10,167**	10,494	29,773
Total	**$ 2,127,077**	$ 2,087,739	$ 2,107,133
Gross profit (loss):			
Homebuilding	**$ 348,110**	$ 206,034	$ 348,275
Land sales and other	**(470)**	(39,998)	(3,260)
Total	**$ 347,640**	$ 166,036	$ 345,015
Gross margin:			
Homebuilding [(a)]	***16.4 %***	*9.9 %*	*16.8 %*
Land sales and other [(b)]	***(4.6)%***	*(381.2)%*	*(10.9)%*
Total	***16.3 %***	*8.0 %*	*16.4 %*
Commissions	**$ 82,507**	$ 79,802	$ 81,002
G&A	**$ 170,386**	$ 161,371	$ 168,658
SG&A (commissions plus G&A) as a percentage of total revenue	***11.9 %***	*11.6 %*	*11.8 %*
G&A as a percentage of total revenue	***8.0 %***	*7.7 %*	*8.0 %*
Depreciation and amortization	**$ 15,640**	$ 14,759	$ 13,807
Operating income (loss)	**$ 79,107**	$ (89,896)	$ 81,548
Operating income (loss) as a percentage of total revenue	***3.7 %***	*(4.3)%*	*3.9 %*
Effective tax rate [(c)]	***25.2 %***	*31.9 %*	*191.1 %*
Equity in income of unconsolidated entities	**$ 347**	$ 404	$ 34
Loss on extinguishment of debt, net	**$ —**	$ (24,920)	$ (27,839)

[(a)] Homebuilding gross margin for fiscal 2019 was impacted by $110.0 million of impairments primarily related to impairments recorded in the second quarter for certain projects in progress in California.

[(b)] Calculated as land sales and other gross loss divided by land sales and other revenue. Land sales and other gross margin is shown as a significant negative percentage for fiscal 2019 due to the $38.6 million of impairments recorded in the second quarter related to land held for sale assets in California.

[(c)] Calculated as tax expense (benefit) for the period divided by income (loss) from continuing operations. Due to a variety of factors, including the impact of discrete tax items on our effective tax rate, our income tax expense (benefit) is not always directly correlated to the amount of pre-tax income (loss) for the associated periods.

Homebuilding Operations Data

The following table summarizes net new orders and cancellation rates by reportable segment for the periods presented:

	New Orders, net					Cancellation Rates		
	2020	2019	2018	**20 v 19**	19 v 18	**2020**	2019	2018
West	**3,589**	2,983	2,874	**20.3 %**	3.8 %	**16.5 %**	16.7 %	18.4 %
East	**1,328**	1,152	1,089	**15.3 %**	5.8 %	**14.5 %**	16.0 %	20.9 %
Southeast	**1,376**	1,441	1,581	**(4.5)%**	(8.9)%	**15.1 %**	15.2 %	16.2 %
Total	**6,293**	5,576	5,544	**12.9 %**	0.6 %	**15.8 %**	16.1 %	18.3 %

Net new orders for the year ended September 30, 2020 increased to 6,293, up 12.9% from the year ended September 30, 2019. The increase in net new orders was primarily driven by an increase in sales per active community per month to 3.2 for fiscal 2020 compared to 2.8 for fiscal 2019 with increases in all three segments due to higher demand for new homes. Due to the high demand experienced during the fourth fiscal quarter in the homebuilding industry, our net new orders for the quarter ending September 30, 2020 increased to 2,009, up 37.8%, compared to 1,458 from the prior year quarter, and our sales per active community per month for the quarter ending September 30, 2020 increased to 4.4, up 52.6%, compared to 2.9 in the prior year quarter. Net new orders increased in the West and the East but decreased slightly in the Southeast segment primarily due to a decrease in average active communities, partially offset by a slight increase in sales per active community per month.

The table below summarizes backlog units by reportable segment as well as the aggregate dollar value and ASP of homes in backlog as of September 30, 2020, 2019, and 2018:

	As of September 30,				
	2020	2019	2018	**20 v 19**	19 v 18
Backlog Units:					
West	**1,365**	982	858	**39.0 %**	14.5 %
East	**624**	341	281	**83.0 %**	21.4 %
Southeast	**520**	385	493	**35.1 %**	(21.9)%
Total	**2,509**	1,708	1,632	**46.9 %**	4.7 %
Aggregate dollar value of homes in backlog (in millions)	**$ 995.3**	$ 665.1	$ 628.0	**49.6 %**	5.9 %
ASP in backlog (in thousands)	**$ 396.7**	$ 389.4	$ 384.8	**1.9 %**	1.2 %

Backlog reflects the number of homes for which the Company has entered into a sales contract with a customer but has not yet delivered the home. Homes in backlog are generally delivered within three to six months following commencement of construction. The aggregate dollar value of homes in backlog as of September 30, 2020 increased 49.6% compared to the prior year due to a 46.9% increase in units in backlog and a 1.9% increase in the ASP of homes in backlog. The increase in backlog units was primarily due to the aforementioned increase in net new orders for the year ended September 30, 2020 compared to prior year. Potential negative impacts of the COVID-19 pandemic could cause us to experience higher cancellation rates compared to prior periods related to homes within our backlog as of September 30, 2020.

Homebuilding Revenue, Average Selling Price, and Closings

The tables below summarize homebuilding revenue, the ASP of our homes closed, and closings by reportable segment for the periods presented:

	Homebuilding Revenue					Average Selling Price				
$ in thousands	**2020**	2019	2018	**20 v 19**	19 v 18	**2020**	2019	2018	**20 v 19**	19 v 18
West	**$ 1,180,577**	$ 1,012,977	$ 999,599	**16.5 %**	1.3 %	**$ 368.2**	$ 354.3	$ 345.3	**3.9 %**	2.6 %
East	**476,167**	506,389	510,710	**(6.0)%**	(0.8)%	**455.7**	463.7	418.3	**(1.7)%**	10.9 %
Southeast	**460,166**	557,879	567,051	**(17.5)%**	(1.6)%	**370.8**	360.2	343.5	**2.9 %**	4.9 %
Total	**$ 2,116,910**	$ 2,077,245	$ 2,077,360	**1.9 %**	— %	**$ 385.5**	$ 377.7	$ 360.2	**2.1 %**	4.9 %

	Closings				
	2020	2019	2018	**20 v 19**	19 v 18
West	**3,206**	2,859	2,895	**12.1 %**	(1.2)%
East	**1,045**	1,092	1,221	**(4.3)%**	(10.6)%
Southeast	**1,241**	1,549	1,651	**(19.9)%**	(6.2)%
Total	**5,492**	5,500	5,767	**(0.1)%**	(4.6)%

Our overall increase in homebuilding revenue for fiscal 2020 as compared to fiscal 2019 is primarily the result of increase in ASP. The increase in ASP for fiscal 2020 was impacted by a change in the mix of closings between geographies, products, and communities within each individual market as compared with the prior fiscal year. It was also positively impacted by improved market conditions in certain geographies in the latter half of our fiscal year. On average, we anticipate that our ASP will continue to increase slightly during the first two quarters of fiscal 2021, as indicated by our ASP for homes in backlog as of September 30, 2020.

For fiscal 2020, year-over-year increase in closings in our West segment was primarily attributable to our Southern California market which had more units in beginning backlog for fiscal 2020 compared to fiscal 2019. Closings in the East were slightly down year-over-year primarily driven by lower closings due to lower average active communities during fiscal 2020 compared to the prior year. Southeast segment closings were down year-over-year as a result of fewer units in beginning backlog for fiscal 2020 compared to fiscal 2019.

Homebuilding Gross Profit and Gross Margin

The following tables present our homebuilding (HB) gross profit and gross margin by reportable segment and in total. In addition, such amounts are presented excluding inventory impairments and abandonments and interest amortized to cost of sales (COS). Homebuilding gross profit is defined as homebuilding revenue less home cost of sales (which includes land and land development costs, home construction costs, capitalized interest, indirect costs of construction, estimated warranty costs, closing costs, and inventory impairment and abandonment charges).

$ in thousands	Fiscal Year Ended September 30, 2020							
	HB Gross Profit (Loss)	**HB Gross Margin**	**Impairments & Abandonments (I&A)**	**HB Gross Profit (Loss) w/o [a] I&A**	**HB Gross Margin w/o I&A**	**Interest Amortized to COS (Interest)**	**HB Gross Profit (Loss) w/o I&A and Interest**	**HB Gross Margin w/o I&A and Interest**
West	**$ 258,675**	**21.9 %**	**$ 923**	**$ 259,598**	**22.0 %**	**$ —**	**$ 259,598**	**22.0 %**
East	**98,446**	**20.7 %**	**82**	**98,528**	**20.7 %**	**—**	**98,528**	**20.7 %**
Southeast	**87,935**	**19.1 %**	**641**	**88,576**	**19.2 %**	**—**	**88,576**	**19.2 %**
Corporate & unallocated	**(96,946)**		**—**	**(96,946)**		**94,844**	**(2,102)**	
Total homebuilding	**$ 348,110**	**16.4 %**	**$ 1,646**	**$ 349,756**	**16.5 %**	**$ 94,844**	**$ 444,600**	**21.0 %**

$ in thousands	Fiscal Year Ended September 30, 2019							
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit (Loss) w/o I&A	HB Gross Margin w/o I&A	Interest Amortized to COS (Interest)	HB Gross Profit w/o I&A and Interest	HB Gross Margin w/o I&A and Interest
West	$ 119,624	11.8 %	$ 92,912	$ 212,536	21.0 %	$ —	$ 212,536	21.0 %
East	96,008	19.0 %	—	96,008	19.0 %	—	96,008	19.0 %
Southeast	95,603	17.1 %	858	96,461	17.3 %	—	96,461	17.3 %
Corporate & unallocated	(105,201)		16,259	(88,942)		93,875	4,933	
Total homebuilding	$ 206,034	9.9 %	$ 110,029	$ 316,063	15.2 %	$ 93,875	$ 409,938	19.7 %

$ in thousands	Fiscal Year Ended September 30, 2018							
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit (Loss) w/o I&A	HB Gross Margin w/o I&A	Interest Amortized to COS (Interest)	HB Gross Profit w/o I&A and Interest	HB Gross Margin w/o I&A and Interest
West	$ 228,637	22.9 %	$ —	$ 228,637	22.9 %	$ —	$ 228,637	22.9 %
East	102,346	20.0 %	—	102,346	20.0 %	—	102,346	20.0 %
Southeast	104,051	18.3 %	793	104,844	18.5 %	—	104,844	18.5 %
Corporate & unallocated	(86,759)		212	(86,547)		91,132	4,585	
Total homebuilding	$ 348,275	16.8 %	$ 1,005	$ 349,280	16.8 %	$ 91,132	$ 440,412	21.2 %

[a] w/o - without

Our overall homebuilding gross profit increased to $348.1 million for the fiscal year ended September 30, 2020, from $206.0 million in the prior year. As shown in the tables above, the comparability of our gross profit and gross margin was impacted by impairment and abandonment charges which decreased by $108.4 million and interest amortized to homebuilding cost of sales which increased by $1.0 million year-over-year (refer to Note 5 and Note 6 of the notes to our consolidated financial statements in this Form 10-K for additional details). When excluding the impact of impairments and abandonments and interest amortized to homebuilding cost of sales, year-over-year homebuilding gross profit increased by $34.7 million, primarily driven by growth in homebuilding revenue of $39.7 million and an increase in gross margin by 130 basis points to 21.0%.

The year-over-year change in gross margin is due to a variety of factors, including: (1) mix of closings between geographies/markets, individual communities within each market, and product type; (2) our pricing strategies, including margin impact on homes closed during the current fiscal year; (3) increased focus on managing our house costs and improving cycle times; and (4) lower warranty costs in the current period. In fiscal 2020, we focused on a continuing objective to simplify our product offerings, which includes streamlining our plan and structural options and design studio offerings to improve efficiency and reduce costs. We expect these efforts to positively contribute to our gross margin in the future.

Measures of homebuilding gross profit and gross margin after excluding inventory impairments and abandonments, interest amortized to cost of sales, and other non-recurring items are not GAAP financial measures. These measures should not be considered alternatives to homebuilding gross profit and gross margin determined in accordance with GAAP as an indicator of operating performance.

In particular, the magnitude and volatility of non-cash inventory impairment and abandonment charges for the Company and other homebuilders have been significant historically and, as such, have made financial analysis of our industry more difficult. Homebuilding metrics excluding these charges, as well as interest amortized to cost of sales and other similar presentations by analysts and other companies, are frequently used to assist investors in understanding and comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective level of impairments and levels of debt. Management believes these non-GAAP measures enable holders of our securities to better understand the cash implications of our operating performance and our ability to service our debt obligations as they currently exist and as additional indebtedness is incurred in the future. These measures are also useful internally, helping management to compare operating results and to measure cash available for discretionary spending.

In a given period, our reported gross profit is generated from both communities previously impaired and communities not previously impaired. In addition, as indicated above, certain gross profit amounts arise from recoveries of prior period costs, including warranty items that are not directly tied to communities generating revenue in the period. Home closings from communities previously impaired would, in most instances, generate very low or negative gross margins prior to the impact of the previously recognized impairment. Gross margin for each home closing is higher for a particular community after an impairment because the carrying value of the underlying land was previously reduced to the present value of future cash flows as a result of the impairment, leading to lower cost of sales at the home closing. This improvement in gross margin resulting from one or more prior impairments is frequently referred to in the aggregate as the “impairment turn” or “flow-back” of impairments within the reporting period. The amount of this impairment turn may exceed the gross margin for an individual impaired asset if the gross margin for that asset prior to the impairment would have been negative. The extent to which this impairment turn is greater than the reported gross margin for the individual asset is related to the specific historical cost basis of that individual asset.

The asset valuations that result from our impairment calculations are based on discounted cash flow analyses and are not derived by simply applying prospective gross margins to individual communities. As such, impaired communities may have gross margins that are somewhat higher or lower than the gross margins for unimpaired communities. The mix of home closings in any particular quarter varies to such an extent that comparisons between previously impaired and never impaired communities would not be a reliable way to ascertain profitability trends or to assess the accuracy of previous valuation estimates. In addition, since any amount of impairment turn is tied to individual lots in specific communities, it will vary considerably from period to period. As a result of these factors, we review the impairment turn impact on gross margin on a trailing 12-month basis rather than a quarterly basis as a way of considering whether our impairment calculations are resulting in gross margins for impaired communities that are comparable to our unimpaired communities. For fiscal 2020, our homebuilding gross margin was 16.4% and excluding interest and inventory impairments and abandonments, it was 21.0%. For the same period, homebuilding gross margin was as follows in those communities that have previously been impaired, which represented 9.8% of total closings during fiscal 2020:

Homebuilding Gross Margin from previously impaired communities:

Pre-impairment turn gross margin	0.4 %
Impact of interest amortized to COS related to these communities	4.5 %
Pre-impairment turn gross margin, excluding interest amortization	4.9 %
Impact of impairment turns	17.5 %
Gross margin (post impairment turns), excluding interest amortization	22.4 %

For a further discussion of our impairment policies and communities impaired during the current and prior two fiscal years, refer to Notes 2 and 5 of the notes to consolidated financial statements in this Form 10-K.

Land Sales and Other Revenue and Gross Profit (Loss)

Land sales revenue relate to land and lots sold that do not fit within our homebuilding programs and strategic plans. We also have other revenue related to title examinations provided for our homebuyers in certain markets. The following tables summarize our land sales and other revenue and related gross profit (loss) by reportable segment for the periods presented:

$ in thousands	Land Sales and Other Revenue				
	2020	2019	2018	**20 v 19**	19 v 18
West	**$ 2,762**	$ 1,725	$ 15,204	**60.1 %**	(88.7)%
East	**1,457**	8,572	13,853	**(83.0)%**	(38.1)%
Southeast	**5,948**	197	716	**2,919.3 %**	(72.5)%
Total	**$ 10,167**	$ 10,494	$ 29,773	**(3.1)%**	(64.8)%

$ in thousands	Land Sales and Other Gross Profit (Loss)				
	2020	2019	2018	**20 v 19**	19 v 18
West	**$ 417**	$ (37,854)	$ 1,708	**101.1 %**	(2,316.3)%
East	**111**	208	321	**(46.6)%**	(35.2)%
Southeast	**200**	(65)	(3,153)	**407.7 %**	97.9 %
Corporate and unallocated [(a)]	**(1,198)**	(2,287)	(2,136)	**47.6 %**	(7.1)%
Total	**$ (470)**	$ (39,998)	$ (3,260)	**98.8 %**	(1,126.9)%

[(a)] Corporate and unallocated includes capitalized interest and capitalized indirect costs expensed to land cost of sale related to land sold, as well as capitalized interest and capitalized indirect costs impaired in order to reflect land held for sale assets at net realizable value.

For the fiscal year ended September 30, 2020, we recognized impairment charges in our West, Southeast, and Corporate and unallocated segments. Please see Note 5 of the notes to consolidated financial statements in this Form 10-K for additional details.

To further support our efforts to reduce leverage, we continued to focus on closing a number of land sales for land positions that did not fit within our strategic plans. Future land and lot sales will depend on a variety of factors, including local market conditions, individual community performance, and changing strategic plans.

Operating Income (Loss)

The table below summarizes operating income (loss) by reportable segment for the periods presented:

	Fiscal Year Ended September 30,				
in thousands	**2020**	2019	2018	**20 v 19**	19 v 18
West	**$ 161,786**	$ (5,492)	$ 142,310	**$ 167,278**	$ (147,802)
East	**56,319**	51,576	57,372	**4,743**	(5,796)
Southeast	**40,746**	40,165	45,950	**581**	(5,785)
Corporate and Unallocated [(a)]	**(179,744)**	(176,145)	(164,084)	**(3,599)**	(12,061)
Operating income (loss) [(b)]	**$ 79,107**	$ (89,896)	$ 81,548	**$ 169,003**	$ (171,444)

[(a)] Corporate and unallocated operating loss includes amortization of capitalized interest and capitalized indirect costs, expenses related to numerous shared services functions that benefit all segments but are not allocated to the operating segments, and certain other amounts that are not allocated to our operating segments.

[(b)] Operating income (loss) is impacted by impairment and abandonment charges incurred during the periods presented (see Note 5 of the notes to our consolidated financial statements in this Form 10-K).

Our operating income increased by $169.0 million to $79.1 million for the fiscal year ended September 30, 2020, compared to a loss of $89.9 million for fiscal 2019. Excluding the impact of impairment and abandonment charges and interest amortized to cost of sales which impacts year-over-year comparability, the increase in operating income was primarily driven by the previously discussed increase in gross profit, partially offset by higher SG&A costs compared to the prior year. SG&A as a percentage of total revenue increased year-over-year by 30 basis points.

Below operating income, we had two noteworthy fluctuations between fiscal 2020 and fiscal 2019 as follows: (1) we experienced an increase in other expense, net, primarily attributable to a year-over-year increase in interest costs not qualified for capitalization; and (2) we recorded a loss of $24.9 million on the extinguishment of debt in fiscal 2019 due to the management of our debt portfolio compared to no such expense in fiscal 2020. See the notes to our consolidated financial statements in this Form 10-K for additional discussion of these matters.

Fiscal year ended September 30, 2020 as compared to 2019

West Segment: Homebuilding revenue increased by 16.5% for the fiscal year ended September 30, 2020 compared to the prior fiscal year due to a 12.1% increase in closings as well as a 3.9% increase in ASP. Compared to the prior fiscal year, homebuilding gross profit increased by $139.1 million primarily due to an increase in homebuilding revenue and $92.9 million of previously discussed impairment charges recognized during the second quarter of fiscal 2019. Excluding impairments, homebuilding gross margin increased to 22.0% from 21.0% in the prior year driven primarily by lower sales incentives and pricing increases. The $167.3 million year-over-year increase in operating income was the result of the aforementioned impairment charges, partially offset by higher SG&A expenses in the segment.

East Segment: Homebuilding revenue decreased by 6.0% for the fiscal year ended September 30, 2020 compared to the prior fiscal year due to a 4.3% decrease in closings as well as a 1.7% decrease in ASP. Compared to the prior fiscal year, homebuilding gross profit increased by $2.4 million due to higher homebuilding gross margin. Excluding impairments, homebuilding gross margin increased to 20.7% from 19.0% in the prior year driven primarily by lower sales incentives and pricing increases. The $4.7 million year-over year increase in operating income was a result of the aforementioned increase in gross profit as well as lower SG&A expenses in the segment.

Southeast Segment: Homebuilding revenue decreased by 17.5% for the fiscal year ended September 30, 2020 compared to the prior fiscal year due to a decrease in closings of 19.9%, partially offset by a 2.9% increase in ASP. Compared to the prior fiscal year, homebuilding gross profit decreased by $7.7 million due to the decrease in homebuilding revenue partially offset by an increase in homebuilding gross margin. Excluding impairments, homebuilding gross margin increased to 19.2% from 17.3% in the prior year driven primarily by lower sales incentives and pricing increases. The $0.6 million year-over-year increase in operating income was a result of lower SG&A expenses, partially offset by lower gross profit in the segment.

Corporate and Unallocated: Our corporate and unallocated results include amortization of capitalized interest and capitalized indirect costs, expenses for various shared services functions that benefit all segments but are not allocated, including information technology, treasury, corporate finance, legal, branding and national marketing, and certain other amounts that are not allocated to our operating segments. For the fiscal year ended September 30, 2020, corporate and unallocated net costs increased by $3.6 million over the prior fiscal year. The increase was primarily due to an increase in G&A costs, and an increase in the proportion of interest and indirect costs expensed to cost of sales year-over-year, partially offset by prior year write-off of capitalized interest and indirect costs related to the impairment of assets in the West and Southeast segments.

Income taxes

Our income tax assets and liabilities and related effective tax rate are affected by various factors, the most significant of which is the valuation allowance recorded against a portion of our deferred tax assets. Due to the effect of our valuation allowance adjustments beginning in fiscal 2008, a comparison of our annual effective tax rates must consider the changes in our valuation allowance. As such, our effective tax rates have not been meaningful metrics, as our income tax expense/benefit was not directly correlated to the amount of pretax income or loss for the associated periods. Beginning in fiscal 2016, the Company began using an annualized effective tax rate in interim periods to determine its income tax expense/benefit, which we believe more closely correlates with our periodic pretax income or loss. The annualized effective tax rate will continue to be impacted by discrete tax items.

The income tax expense recorded during the fiscal year ended September 30, 2020 primarily resulted from income generated in the current year and permanent book/tax differences, partially offset by the generation of additional federal tax credits.

The income tax benefit recorded during our fiscal year ended September 30, 2019 primarily resulted from loss generated in the fiscal year and the generation of additional federal tax credits.

The income tax expense recorded during our fiscal year ended September 30, 2018 primarily resulted from income generated in the fiscal year and the remeasurement of deferred tax asset at the newly enacted 21.0% federal tax rate, partially offset by the generation of federal tax credits and an additional release of our valuation allowance. The valuation allowance on all of our federal tax net operating losses and credits as well as portions of our state net operating losses was reduced due to our determination that it is more likely than not that these assets will be realized.

Refer to Note 13 of the notes to the consolidated financial statements in this Form 10-K for a further discussion of our income taxes and valuation allowance.

Liquidity and Capital Resources

Our sources of liquidity include, but are not limited to, cash from operations, proceeds from Senior Notes, our Secured Revolving Credit Facility (the Facility) and other bank borrowings, the issuance of equity and equity-linked securities, and other external sources of funds. Our short-term and long-term liquidity depends primarily upon our level of net income, working capital management (cash, accounts receivable, accounts payable and other liabilities) and available credit facilities.

Cash, cash equivalents, and restricted cash changed as follows for the periods presented:

in thousands	**2020**	2019	2018
Cash provided by operating activities	**$ 289,095**	$ 113,635	$ 54,838
Cash used in investing activities	**(10,164)**	(25,125)	(74,148)
Cash used in financing activities	**(59,197)**	(118,964)	(132,051)
Net increase (decrease) in cash and cash equivalents	**$ 219,734**	$ (30,454)	$ (151,361)

Operating Activities

Net cash provided by operating activities was $289.1 million for the fiscal year ended September 30, 2020. The primary drivers of operating cash flows are typically cash earnings and changes in inventory levels, including land acquisition and land development spending. Net cash provided by operating activities during the period was driven primarily by income before income taxes of $69.9 million, which included $28.2 million of non-cash charges, a net decrease in non-inventory working capital of $36.1 million, and a decrease in inventory of $154.9 million as a result of from home sales partially offset by land acquisition, land development, and house construction spending to support continued growth.

Net cash provided by operating activities was $113.6 million during the fiscal year ended September 30, 2019. Net cash provided by operating activities during the period was driven primarily by loss before income taxes of $116.8 million, which included $198.5 million of non-cash charges, a net increase in non-inventory working capital of $11.0 million, and a decrease in inventory of $42.9 million as a result of from home sales offset by land acquisition, land development, and house construction spending to support continued growth.

Investing Activities

Net cash used in investing activities for the fiscal year ended September 30, 2020 and September 30, 2019, was $10.2 million and $25.1 million, respectively, primarily driven in both periods by capital expenditures for model homes.

Financing Activities

Net cash used in financing activities was $59.2 million for the fiscal year ended September 30, 2020 driven by installment payment of the Senior Unsecured Term Loan (Term Loan), common stock repurchases under our share repurchase program, tax payments for stock-based compensation awards vesting, cash settlement of performance-based restricted stock, the repayment of other secured notes payable, and payment of debt issuance costs.

Net cash used in financing activities during the fiscal year ended September 30, 2019 was $119.0 million, primarily due to the repayment of certain debt issuances (including our 2022, 2023, 2025 and 2027 Senior Notes and other secured notes payable), the payment of cash for debt issuance costs, common stock repurchases under our share repurchase program, partially offset by proceeds received from the issuance of Senior Notes due 2029 as well as the Term Loan.

Financial Position

As of September 30, 2020, our liquidity position consisted of $327.7 million in cash and cash equivalents and $250.0 million of remaining capacity under the Facility.

The unprecedented public health and governmental efforts to contain the COVID-19 pandemic have created significant uncertainty as to general economic and housing market conditions for 2020 and beyond. As of the date of this report, we believe we have adequate capital resources and sufficient access to external financing sources to satisfy our current and reasonably anticipated requirements for funds to conduct our operations and meet other needs in the ordinary course of our business.

During this time, we may also engage in capital markets, bank loan, project debt or other financial transactions, including the repurchase of debt or potential new issuances of debt or equity securities to support our business needs. The amounts involved in these transactions, if any, may be material. In addition, as necessary or desirable, we may adjust or amend the terms of and/or expand the capacity of the Facility (including as described below), or enter into additional letter of credit facilities, or other similar facility arrangements, in each case with the same or other financial institutions, or allow any such facilities to mature or expire. However, with the uncertainty surrounding the COVID-19 pandemic, our ability to engage in such transactions may be constrained by volatile or tight economic, capital, credit and financial market conditions, as well as lender interest and capacity and our liquidity, leverage and net worth. Accordingly, we can provide no assurance as to the successful completion of, or the operational limitations arising from, any one or series of such transactions. For further discussion of the potential impacts from the COVID-19 pandemic on our capital resources and liquidity, see Part I, Item 1A – Risk Factors.

Debt

We generally fulfill our short-term cash requirements with cash generated from our operations and available borrowings. Additionally, our Secured Revolving Credit Facility provides working capital and letter of credit capacity of $250.0 million. As of September 30, 2020, no borrowings and no letters of credit were outstanding under the facility, resulting in $250.0 million remaining capacity.

We have also entered into a number of stand-alone, cash-secured letter of credit agreements with banks. These combined facilities provide for letter of credit needs collateralized by either cash or assets of the Company. We currently have $12.7 million of outstanding letters of credit under these facilities, secured with cash collateral that is maintained in restricted accounts totaling $12.9 million.

To provide greater letter of credit capacity, the Company has also entered into a reimbursement agreement, which provides for the issuance of performance letters of credit, and an unsecured credit agreement that provides for the issuance of up to $50.0 million of standby letters of credit to backstop the Company's obligations under the reimbursement agreement (collectively, the "Bilateral Facility"). On June 17, 2020, the Company executed an Amendment No. 1 to the Bilateral Facility that extends the termination date of the agreement from June 10, 2021 to June 10, 2022. As of September 30, 2020, the total stated amount of performance letters of credit issued under the reimbursement agreement was $36.1 million (and the stated amount of the backstop standby letter of credit issued under the credit agreement was $40.0 million).

In the future, we may from time to time seek to continue to retire or purchase our outstanding debt through cash repurchases or in exchange for other debt securities, in open market purchases, privately-negotiated transactions, or otherwise. We may also seek to expand our business through acquisition, which may be funded through cash, additional debt, or equity. In addition, any material variance from our projected operating results could require us to obtain additional equity or debt financing. There can be no assurance that we will be able to complete any of these transactions in the future on favorable terms or at all. See Note 8 of the notes to the consolidated financial statements in this Form 10-K for more information related to our borrowings.

Supplemental Guarantor Information

As discussed in Note 8 of the notes to the consolidated financial statements in this Form 10-K, the Company's obligations to pay principal and interest under certain debt agreements are guaranteed on a joint and several basis by substantially all of the Company's subsidiaries. Some of the immaterial subsidiaries do not guarantee the Senior Notes. The guarantees are full and unconditional.

In March 2020, the SEC released Rule Release No. 33-10762, Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant’s Securities ("Rule 33-10762”). Rule 33-10762 simplifies the disclosure requirements related to certain registered securities under SEC Regulation S-X, Rules 3-10 and 3-16, permitting registrants to provide certain alternative financial disclosures and non-financial disclosures in lieu of separate consolidating financial statements for subsidiary issuers and guarantors of registered debt securities (which we previously included within the notes to our consolidated financial statements included in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q) if certain conditions are met. The amendments in Rule 33-10762 are generally effective for filings on or after January 4, 2021, with early application permitted. We early adopted the new disclosure requirements permitted under Rule 33-10762 effective for the interim period ending June 30, 2020.

The following summarized financial information is presented for Beazer Homes USA, Inc. and the guarantor subsidiaries on a combined basis after elimination of intercompany transactions between entities in the combined group and amounts related to investments in any subsidiary that is a non-guarantor.

in thousands	**As of September 30, 2020**	As of September 30,2019
Due from non-guarantor subsidiary	**$ 417**	$ —
Total assets	**$ 2,006,611**	$ 1,955,950
Due to non-guarantor subsidiary	**$ —**	$ 1,680
Total liabilities	**$ 1,414,105**	$ 1,418,877

in thousands	**Year Ended September 30, 2020**	Year Ended September 30, 2019
Total revenues	**$ 2,126,660**	$ 2,087,739
Gross profit	**$ 347,387**	$ 165,921
Income (loss) from continuing operations	**$ 53,909**	$ (79,507)
Net income (loss)	**$ 52,861**	$ (79,592)

Credit Ratings

Our credit ratings are periodically reviewed by rating agencies. In July 2020, Moody's reaffirmed the Company's issuer corporate family rating of B3 and stable outlook for the Company. In October 2020, S&P revised the Company's outlook to positive and reaffirmed the Company's corporate credit rating of B-. These ratings and our current credit condition affect, among other things, our ability to access new capital. Negative changes to these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. Our credit ratings could be lowered, or rating agencies could issue adverse commentaries in the future, which could have a material adverse effect on our business, financial condition, results of operations, and liquidity. In particular, a weakening of our financial condition, including any further increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, could result in a credit rating downgrade or change in outlook, or could otherwise increase our cost of borrowing.

Stock Repurchases and Dividends Paid

During the first quarter of fiscal 2019, the Company's Board of Directors approved a share repurchase program that authorizes the Company to repurchase up to $50.0 million of its outstanding common stock. As part of this program, the Company has repurchased common stock during fiscal 2019 through open market transactions, 10b5-1 plans, and accelerated share repurchase (ASR) agreements. All shares have been retired upon repurchase during fiscal 2019. The aggregate reduction to stockholders' equity related to share repurchases during the fiscal year ended September 30, 2019 was $34.6 million.

During fiscal 2020, the Company repurchased approximately 362,000 shares of its common stock for $3.3 million at an average price per share of $9.20 through open market transactions and 10b5-1 plans. All shares have been retired upon repurchase. As of September 30, 2020, the remaining availability of the share repurchase program was $12.0 million.

The indentures under which our Senior Notes were issued contain certain restrictive covenants, including limitations on the payment of dividends. There were no dividends paid during our fiscal years ended September 30, 2020, 2019, or 2018.

Off-Balance Sheet Arrangements

Lot Option Contracts

We historically have attempted to control a portion of our land supply through options. As of September 30, 2020, we controlled 17,830 lots, which includes 399 lots of land held for future development and 529 lots of land held for sale. Of the total active 16,902 lots, we owned 11,024, or 65.2%, of these lots and the remaining 5,878 of these lots, or 34.8%, were under option contracts with land developers and land bankers, which generally require the payment of cash or the posting of a letter of credit for the right to acquire lots during a specified period of time at a certain price. As a result of the flexibility that these options provide us, upon a change in market conditions (such as those created as a result of the impacts of the COVID-19 pandemic), we may renegotiate the terms of the options prior to exercise or terminate the agreement. Under option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers, and our liability is generally limited to forfeiture of the non-refundable deposits and other non-refundable amounts incurred, which totaled approximately $75.9 million as of September 30, 2020. The total remaining purchase price, net of cash deposits, committed under all options was $395.1 million as of September 30, 2020. Based on market conditions and our liquidity, we may further expand our use of option agreements to supplement our owned inventory supply.

We expect to exercise, subject to market conditions and seller satisfaction of contract terms, most of our option contracts. Various factors, some of which are beyond our control, such as market conditions, weather conditions, and the timing of the completion of development activities, will have a significant impact on the timing of option exercises or whether lot options will be exercised at all.

We have historically funded the exercise of lot options with operating cash flows, which we expect to continue to be adequate to fund anticipated future option exercises. Therefore, we do not anticipate that the exercise of our lot options will have a material adverse effect on our liquidity.

Investments in Unconsolidated Entities

Occasionally, we use legal entities in which we have less than a controlling interest. We enter into the majority of these arrangements with land developers, other homebuilders, and financial partners to acquire attractive land positions, to manage our risk profile, and to leverage our capital base. The underlying land positions are developed into finished lots for sale to the unconsolidated entity's members or other third parties. We account for our interest in unconsolidated entities under the equity method.

Historically, we and our partners have provided varying levels of guarantees of debt or other obligations for our unconsolidated entities. As of September 30, 2020, we had no repayment guarantees outstanding related to the debt of our unconsolidated entities. See Note 4 of the notes to the consolidated financial statements in this Form 10-K for additional information.

Letters of Credit and Surety Bonds

In connection with the development of our communities, we are frequently required to provide performance, maintenance, and other bonds and letters of credit 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. We had outstanding letters of credit and surety bonds of $48.8 million and $248.2 million, respectively, as of September 30, 2020, primarily related to our obligations to local governments to construct roads and other improvements in various developments.

Contractual Commitments

The following table summarizes our aggregate contractual commitments as of September 30, 2020:

	Payments Due by Period				
in thousands	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Senior notes, term loan, and junior subordinated notes [a]	$ 1,174,328	$ 50,000	$ 50,000	$ 229,555	$ 844,773
Interest commitments under senior notes, term loan, and junior subordinated notes [b]	498,472	73,175	139,038	128,208	158,051
Obligations related to lots under option	395,133	224,595	142,898	27,122	518
Operating leases	17,407	4,604	6,676	3,336	2,791
Uncertain tax positions [c]	—	—	—	—	—
Total	$ 2,085,340	$ 352,374	$ 338,612	$ 388,221	$ 1,006,133

[a] For a listing of our borrowings, refer to Note 8 of the notes to the consolidated financial statements in this Form 10-K.

[b] Interest on variable rate obligations is based on rates effective as of September 30, 2020.

[c] Based on its current inventory of uncertain tax positions and tax carryforward attributes, the Company does not expect a cash settlement of unrecognized tax benefits related to uncertain tax positions in future years. See Note 13 of the notes to the consolidated financial statements in this Form 10-K for additional information regarding the Company's unrecognized tax benefits related to uncertain tax positions as of September 30, 2020.

We had outstanding letters of credit and surety bonds of $48.8 million and $248.2 million, respectively, as of September 30, 2020, primarily related to our obligations to local governments to construct roads and other improvements in various developments.

Derivative Instruments and Hedging Activities

We are exposed to fluctuations in interest rates. From time to time, we may enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. However, as of September 30, 2020, we were not a party to any such derivative agreements. We do not enter into or hold derivatives for trading or speculative purposes.

Critical Accounting Policies and Estimates

Our critical accounting policies require the use of judgment in their application and in certain cases require estimates of inherently uncertain matters. Although our accounting policies are in compliance with accounting principles generally accepted in the United States of America (GAAP), a change in the facts and circumstances of the underlying transactions could significantly change the application of the accounting policies and the resulting financial statement impact. It is also possible that other professionals applying reasonable judgment to the same set of facts and circumstances could reach a different conclusion. Listed below are those policies that we believe are critical and require the use of complex judgment in their application.

Inventory Valuation - Projects in Progress

Our homebuilding inventories that are accounted for as held for development (projects in progress) include land and home construction assets grouped together as communities. Homebuilding inventories held for development are stated at cost (including home construction costs, direct overhead costs, capitalized indirect costs, capitalized interest, real estate taxes and allocated lot costs) unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. We assess these assets no less than quarterly for recoverability. Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct, and close all of the homes in a typical community. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the expected undiscounted cash flows generated are expected to be less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

When conducting our community level review for the recoverability of our homebuilding inventory related to projects in progress, we consider both qualitative and quantitative factors to establish a quarterly "watch list" of communities. Each community is evaluated qualitatively and quantitatively to determine if there are factors driving the low profitability levels. Communities with more than ten homes remaining to close with potential indicators of impairment resulting from this initial evaluation are subjected to substantial additional financial and operational reviews that consider the competitive environment and other factors contributing to profit margins below our specified thresholds. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. For certain communities, it may be prudent to reduce sales prices or further increase sales incentives in response to a variety of factors, including competitive market conditions in those specific submarkets for the product and locations of these communities. For communities where the current competitive and market dynamics indicate that assets may not be recoverable, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analyses and a quantitative analysis reflecting market and asset specific information.

Our qualitative competitive market analyses include site visits to new home communities of our competitors and written community-level competitive assessments. A competitive assessment consists of a comparison of our specific community with its competitor communities, considering square footage of homes offered, amenities offered within the homes and the communities, location, transportation availability and school districts, among other relevant attributes. In addition, we review the pace of monthly home sales of our competitor communities in relation to our specific community. We also review other factors, such as the target buyer and the macro-economic characteristics that impact the performance of our asset, including unemployment and the availability of mortgage financing, among other things. Based on this qualitative competitive market analysis, adjustments to our sales prices may be required in order to make our communities competitive. We incorporate these adjusted prices in our quantitative analysis for the specific community.

The quantitative analyses compare the projected future undiscounted cash flows for each such community with its current carrying value. This undiscounted cash flow analysis requires important assumptions regarding the location and mix of house plans to be sold, current and future home sale prices and incentives for each plan, current and future construction costs for each plan, and the pace of monthly sales to occur today and into the future.

There is uncertainty associated with preparing the undiscounted cash flow analyses because future market conditions will almost certainly be different, either better or worse, than current conditions. The single most important input to the cash flow analysis is current and future home sales prices for a specific community. The risk of over or under-stating any of the important cash flow variables, including home prices, is greater with longer-lived communities and within markets that have historically experienced greater home price volatility. In an effort to address these risks, we consider some home price and construction cost appreciation in future years for certain communities that are expected to be selling for more than three years and/or if the market has typically exhibited high levels of price volatility. Absent these assumptions on cost and sales price appreciation, we believe the long-term cash flow analysis would be unrealistic and would serve to artificially improve expected future profitability. Finally, we also ensure that the monthly sales absorptions, including historical seasonal differences of our communities and those of our competitors, used in our undiscounted cash flow analyses are realistic, consider our development schedules, and relate to those achieved by our competitors for the specific communities.

If the aggregate undiscounted cash flows from our quantitative analyses are in excess of the carrying value, the asset is considered to be recoverable and is not impaired. If the aggregate undiscounted cash flows are less than the carrying or book value, we perform a discounted cash flow analysis to determine the fair value of the community. The fair value of the community is estimated using the present value of the estimated future cash flows using discount rates commensurate with the risk associated with the underlying community assets. The discount rate used may be different for each community. The factors considered when determining an appropriate discount rate for a community include, among others: (1) community specific factors such as the number of lots in the community, the status of land development in the community, and the competitive factors influencing the sales performance of the community and (2) overall market factors such as employment levels, consumer confidence, and the existing supply of new and used homes for sale. If the determined fair value is less than the carrying value of the specific asset, the asset is considered not recoverable and is written down to its fair value. The carrying value of assets in communities that were previously impaired and continue to be classified as projects in progress is not increased for future estimates of increases in fair value in future reporting periods. However, market deterioration that exceeds our initial estimates may lead us to incur impairment charges on previously impaired homebuilding assets, in addition to homebuilding assets not currently impaired but for which indicators of impairment may arise if markets deteriorate.

Inventory Valuation - Land Held for Future Development

For those communities that have been idled (land held for future development), all applicable carrying costs, such as interest and real estate taxes, are expensed as incurred, and the inventory is stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable, such as the future enactment of a development plan or the occurrence of outside events. We evaluate the potential plans for each community in land held for future development if changes in facts and circumstances occur that would give rise to a more detailed analysis for a change in the status of a community.

Inventory Valuation - Land Held for Sale

We record assets held for sale at the lower of the asset's carrying value or fair value less costs to sell. The following criteria are used to determine if land is held for sale:

- management has the authority and commits to a plan to sell the land;
- the land is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of land assets;
- there is an active program to locate a buyer and the plan to sell the property has been initiated;
- the sale of the land is probable within one year;
- the property is being actively marketed at a reasonable sales price relative to its current fair value; and
- it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

Additionally, in certain circumstances, such as a change in strategy, management will re-evaluate the best use of an asset that is currently being accounted for as held for development. In such instances, management will review, among other things, the current and projected competitive circumstances of the community, including the level of supply of new and used inventory, the level of sales absorptions by us and our competition, the level of sales incentives required and the number of owned lots remaining in the community. If, based on this review, we believe that the best use of the asset is the sale of all or a portion of the asset in its current condition, then all or portions of the community are accounted for as held for sale if the foregoing criteria have been met as of the end of the applicable reporting period.

In determining the fair value of the assets less cost to sell, we consider factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals, any recent legitimate offers and listing prices of similar properties. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about land sales prices require significant judgment because the market is highly sensitive to changes in economic conditions. We calculate the estimated fair values of land held for sale based on current market conditions and assumptions made by management, which may differ materially from actual results and may result in additional impairments if market conditions deteriorate.

Revenue Recognition

We recognize revenue upon the transfer of promised goods to our customers in an amount that reflects the consideration to which we expect to be entitled by applying the following five-step process specified in ASC 606.

- Identify the contract(s) with a customer
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue when the performance obligations are met

Homebuilding revenue

Homebuilding revenue is reported net of any discounts and incentives and is generally recognized when title to and possession of the home are transferred to the buyer at the closing date. The performance obligation to deliver the home is generally satisfied in less than one year from the original contract date. Home sale contract assets consist of cash from home closings held in escrow for our benefit, typically for less than five days, and are considered accounts receivable.

Land sales and other revenue

Land sales revenue relates to land and lots sold that do not fit within our homebuilding programs and strategic plans. Land sales typically require cash consideration on the closing date, which is generally when performance obligations are satisfied. We also provide title examinations for our homebuyers in certain markets. Revenues associated with our title operations are recognized as closing services are rendered and title insurance policies are issued, both of which generally occur as each home is closed.

Warranty Reserves

We currently provide a limited warranty ranging from one to two years covering workmanship and materials per our defined quality standards. In addition, we provide a limited warranty for up to ten years covering only certain defined structural element failures.

Our homebuilding work is performed by subcontractors who typically must agree to indemnify us with regard to their work and provide certificates of insurance demonstrating that they have met our insurance requirements and have named us as an additional insured under their policies. Therefore, many claims relating to workmanship and materials that result in warranty spending are the primary responsibility of these subcontractors. In addition, we maintain insurance coverage related to our construction efforts that can result in recoveries of warranty and construction defect costs above certain specified limits.

Warranty reserves are included in other liabilities on our consolidated balance sheets. We record reserves covering our anticipated warranty expense for each home closed. Management reviews the adequacy of warranty reserves each reporting period based on historical experience and management's estimate of the costs to remediate any claims and adjusts these provisions accordingly. Our review includes a quarterly analysis of the historical data and trends in warranty expense by division. An analysis by division allows us to consider market specific factors such as our warranty experience, the number of home closings, the prices of homes, product mix, and other data in estimating our warranty reserves. In addition, our analysis also factors in the existence of any non-recurring or community-specific warranty matters that might not be contemplated in our historical data and trends. The cost of material non-recurring or community-specific warranty matters is often separately estimated based on management's judgment of the ultimate cost of repair for that specific issue. As a result of our analyses, we adjust our estimated warranty liabilities on a quarterly basis. Based on historical results, we believe that our existing estimation process is accurate and do not anticipate the process to materially change in the future. Our estimation process for such accruals is discussed in Note 9 of notes to the consolidated financial statements in this Form 10-K. While we believe that our current warranty reserves are adequate, there can be no assurances that historical data and trends will accurately predict our actual warranty costs or that future developments might not lead to a significant change in the reserve.

Income Taxes* - *Valuation Allowance and Ownership Change

Judgment is required in estimating valuation allowances for deferred tax assets. Deferred tax assets are reduced by a valuation allowance if an assessment of their components indicates that it is more likely than not that all or some portion of these assets will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. We assess the need for valuation allowances for deferred tax assets based on more-likely-than-not realization threshold criteria. In our assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, (1) the nature, frequency and severity of any current and cumulative losses; (2) forecasts of future profitability; (3) the duration of statutory carryforward periods; (4) our experience with operating loss and tax credit carryforwards not expiring unused; (5) the Section 382 limitation on our ability to carryforward pre-ownership change net operating losses; (6) recognized built-in losses or deductions; and (7) tax planning alternatives.

Our assessment of the need for the valuation of deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns. We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. Changes in existing tax laws or rates could affect actual tax results and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Our accounting for deferred tax consequences represents our best estimate of future events. Although it is possible there will be changes that are not anticipated in our current estimates, we believe it is unlikely such changes would have a material period-to-period impact on our financial condition or results of operations.

During fiscal 2008, we determined that it was not more likely than not that substantially all of our deferred tax assets would be realized and, therefore, we established a valuation allowance on substantially all of our deferred tax assets. Each period, we evaluate the continued need for the valuation allowance based on extensive quantitative and qualitative factors, a process that requires significant estimates to be made. As of September 30, 2015, we determined that it was appropriate to release a substantial portion of our valuation allowance, generating a non-cash tax benefit. Based on the available evidence and operating trends, as of September 30, 2018 we determined that it was appropriate to release an additional portion of our valuation allowance, which also generated a non-cash tax benefit. As of September 30, 2020, our conclusions on whether we are more likely than not to realize all of our federal tax attributes and certain portions of our state tax attributes remain consistent with our fiscal 2018 determinations. For fiscal 2020, a number of additional positive and negative factors were considered as part of our analysis. The negative factors for fiscal 2020 included the general economic uncertainties due to the COVID-19 pandemic. The positive factors included our current income from continuing operations, a recovery in housing demand throughout the year that resulted in backlog levels significantly higher than prior year, and interest savings from our multi-year debt reduction strategy. These analyses, while rooted in actual Company performance, are highly subjective and rely on certain estimates, including forecasts, which could be very different from actual results.

We experienced an “ownership change” as defined in Section 382 of the Internal Revenue Code (Section 382) as of January 12, 2010. Section 382 contains rules that limit the ability of a company that undergoes an “ownership change” to utilize its net operating loss carryforward and certain built-in losses or deductions recognized during the five-year period after the ownership change. Therefore, our ability to utilize our pre-ownership change net operating loss carryforwards and certain recognized built-in losses or deductions is substantially limited by Section 382. There can be no assurance that another ownership change, as defined in the tax law, will not occur. If another “ownership change” occurs, a new annual limitation on the utilization of net operating losses would be determined as of that date. This limitation, should one be required in the future, is subject to assumptions and estimates that could differ from actual results.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a number of market risks in the ordinary course of business. Our primary market risk exposure relates to fluctuations in interest rates. We do not believe that our exposure in this area is material to our cash flows or results of operations. As of September 30, 2020, our Junior Subordinated Notes were our only variable-rate debt outstanding, totaling approximately $68.1 million. A one percent increase in the interest rate for these notes would result in an increase of our interest expense by approximately $1.0 million over the next twelve-month period. The estimated fair value of our fixed rate debt as of September 30, 2020 was $1.10 billion, compared to a carrying value of $1.06 billion. The effect of a hypothetical one-percentage point decrease in our estimated discount rates would increase the estimated fair value of the fixed rate debt instruments from $1.10 billion to $1.16 billion as of September 30, 2020.

Item 8. Financial Statements and Supplementary Data

BEAZER HOMES USA, INC.
CONSOLIDATED BALANCE SHEETS

in thousands (except share and per share data)	**September 30, 2020**	September 30, 2019
ASSETS		
Cash and cash equivalents	**$ 327,693**	$ 106,741
Restricted cash	**14,835**	16,053
Accounts receivable (net of allowance of $358 and $304, respectively)	**19,817**	26,395
Income tax receivable	**9,252**	4,935
Owned inventory	**1,350,738**	1,504,248
Investments in unconsolidated entities	**4,003**	3,962
Deferred tax assets, net	**225,143**	246,957
Property and equipment, net	**22,280**	27,421
Operating lease right-of-use assets	**13,103**	—
Goodwill	**11,376**	11,376
Other assets	**9,240**	9,556
Total assets	**$ 2,007,480**	$ 1,957,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	**$ 132,192**	$ 131,152
Operating lease liabilities	**15,333**	—
Other liabilities	**135,983**	109,429
Total debt (net of debt issuance costs of $10,891 and $12,470, respectively)	**1,130,801**	1,178,309
Total liabilities	**1,414,309**	1,418,890
Stockholders' equity:		
Preferred stock (par value $0.01 per share, 5,000,000 shares authorized, no shares issued)	**—**	—
Common stock (par value $0.001 per share, 63,000,000 shares authorized, 31,012,326 issued and outstanding and 30,933,110 issued and outstanding, respectively)	**31**	31
Paid-in capital	**856,466**	854,275
Accumulated deficit	**(263,326)**	(315,552)
Total stockholders' equity	**593,171**	538,754
Total liabilities and stockholders' equity	**$ 2,007,480**	$ 1,957,644

See accompanying notes to consolidated financial statements.

BEAZER HOMES USA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

in thousands (except per share data)	Fiscal Year Ended September 30, 2020	2019	2018
Total revenue	**$ 2,127,077**	$ 2,087,739	$ 2,107,133
Home construction and land sales expenses	**1,776,534**	1,773,085	1,755,619
Inventory impairments and abandonments	**2,903**	148,618	6,499
Gross profit	**347,640**	166,036	345,015
Commissions	**82,507**	79,802	81,002
General and administrative expenses	**170,386**	161,371	168,658
Depreciation and amortization	**15,640**	14,759	13,807
Operating income (loss)	**79,107**	(89,896)	81,548
Equity in income of unconsolidated entities	**347**	404	34
Loss on extinguishment of debt, net	**—**	(24,920)	(27,839)
Other expense, net	**(8,165)**	(2,226)	(4,305)
Income (loss) from continuing operations before income taxes	**71,289**	(116,638)	49,438
Expense (benefit) from income taxes	**17,973**	(37,217)	94,484
Income (loss) from continuing operations	**53,316**	(79,421)	(45,046)
Loss from discontinued operations, net of tax	**(1,090)**	(99)	(329)
Net income (loss)	**$ 52,226**	$ (79,520)	$ (45,375)
Weighted-average number of shares:			
Basic	**29,704**	30,617	32,141
Diluted	**29,948**	30,617	32,141
Basic income (loss) per share:			
Continuing operations	**$ 1.80**	$ (2.59)	$ (1.40)
Discontinued operations	**(0.04)**	(0.01)	(0.01)
Total	**$ 1.76**	$ (2.60)	$ (1.41)
Diluted income (loss) per share:			
Continuing operations	**$ 1.78**	$ (2.59)	$ (1.40)
Discontinued operations	**(0.04)**	(0.01)	(0.01)
Total	**$ 1.74**	$ (2.60)	$ (1.41)

See accompanying notes to consolidated financial statements.

BEAZER HOMES USA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock			Accumulated	
in thousands	Shares	Amount	Paid-in Capital	Deficit	Total
Balance as of September 30, 2017	33,516	$ 34	$ 873,063	$ (190,657)	$ 682,440
Net loss and comprehensive loss	—	—	—	(45,375)	(45,375)
Stock-based compensation expense	—	—	10,258	—	10,258
Exercises of stock options	8	—	64		64
Shares issued under employee stock plans, net	443	—	—	—	—
Forfeiture of restricted stock	(216)	—	—	—	—
Common stock redeemed for tax liability	(229)	—	(3,378)	—	(3,378)
Other activity	—		18	—	18
Balance as of September 30, 2018	33,522	$ 34	$ 880,025	$ (236,032)	$ 644,027
Net loss and comprehensive loss	—	—	—	(79,520)	(79,520)
Stock-based compensation expense	—	—	10,526	—	10,526
Exercises of stock options	32	—	314	—	314
Shares issued under employee stock plans, net	917	—	—	—	—
Forfeiture of restricted stock	(68)	—	—	—	—
Common stock redeemed for tax liability	(185)	—	(1,969)	—	(1,969)
Share repurchases	(3,285)	(3)	(34,621)	—	(34,624)
Balance as of September 30, 2019	30,933	$ 31	$ 854,275	$ (315,552)	$ 538,754
Net income and comprehensive income	**—**	**—**	**—**	**52,226**	**52,226**
Stock-based compensation expense	**—**	**—**	**10,036**	**—**	**10,036**
Exercises of stock options	**52**	**—**	**226**	**—**	**226**
Shares issued under employee stock plans, net	**588**	**—**	**—**	**—**	**—**
Forfeiture and other settlements of restricted stock	**(26)**	**—**	**(2,058)**	**—**	**(2,058)**
Common stock redeemed for tax liability	**(173)**	**—**	**(2,686)**	**—**	**(2,686)**
Share repurchases	**(362)**	**—**	**(3,327)**	**—**	**(3,327)**
Balance as of September 30, 2020	**31,012**	**$ 31**	**$ 856,466**	**$ (263,326)**	**$ 593,171**

See accompanying notes to consolidated financial statements.

BEAZER HOMES USA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Cash flows from operating activities:			
Net income (loss)	**$ 52,226**	$ (79,520)	$ (45,375)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**15,640**	14,759	13,807
Stock-based compensation expense	**10,036**	10,526	10,258
Inventory impairments and abandonments	**2,903**	148,618	6,949
Deferred and other income tax expense (benefit)	**17,664**	(37,245)	93,935
Gain on sale of fixed assets	**(335)**	(232)	(351)
Change in allowance for doubtful accounts	**54**	(74)	48
Equity in income of unconsolidated entities	**(347)**	(403)	(127)
Cash distributions of income from unconsolidated entities	**306**	408	331
Loss on extinguishment of debt, net	**—**	24,920	27,839
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	**6,524**	(1,674)	11,875
Decrease in income tax receivable	**315**	—	88
Decrease (increase) in inventory	**154,865**	42,927	(95,809)
Decrease (increase) in other assets	**3**	323	(1,300)
Increase in trade accounts payable	**1,040**	4,720	17,492
Increase (decrease) in other liabilities	**28,201**	(14,418)	15,178
Net cash provided by operating activities	**289,095**	113,635	54,838
Cash flows from investing activities:			
Capital expenditures	**(10,642)**	(21,356)	(17,020)
Proceeds from sale of fixed assets	**478**	251	370
Acquisition, net of cash acquired	**—**	(4,088)	(57,253)
Investments in unconsolidated entities	**—**	—	(421)
Return of capital from unconsolidated entities	**—**	68	176
Net cash used in investing activities	**(10,164)**	(25,125)	(74,148)
Cash flows from financing activities:			
Repayment of debt	**(51,150)**	(576,548)	(522,465)
Proceeds from issuance of new debt	**—**	500,000	400,000
Repayment of borrowings from credit facility	**(390,000)**	(425,000)	(225,000)
Borrowings from credit facility	**390,000**	425,000	225,000
Debt issuance costs	**(202)**	(6,137)	(6,272)
Repurchase of common stock	**(3,327)**	(34,624)	—
Tax payments for stock-based compensation awards	**(2,686)**	(1,969)	(3,378)
Stock option exercises and other financing activities	**(1,832)**	314	64
Net cash used in financing activities	**(59,197)**	(118,964)	(132,051)
Increase (decrease) in cash, cash equivalents, and restricted cash	**219,734**	(30,454)	(151,361)
Cash, cash equivalents, and restricted cash at beginning of period	**122,794**	153,248	304,609
Cash, cash equivalents, and restricted cash at end of period	**$ 342,528**	$ 122,794	$ 153,248

See accompanying notes to consolidated financial statements.

(1) Description of Business

Beazer Homes USA, Inc. (“we,” “us,” “our,” “Beazer,” “Beazer Homes” and the “Company”) is a geographically diversified homebuilder with active operations in 13 states within three geographic regions in the United States: the West, East and Southeast.

Our homes are designed to appeal to homeowners at different price points across various demographic segments, and are generally offered for sale in advance of their construction. Our objective is to provide our customers with homes that incorporate exceptional value and quality, while seeking to maximize our return on invested capital over the course of a housing cycle.

(2) Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and present the consolidated financial position, income, stockholders' equity, and cash flows of Beazer Homes USA, Inc. and its consolidated subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. Our net income (loss) is equivalent to our comprehensive income (loss), so we have not presented a separate statement of comprehensive income (loss).

In the past, we have discontinued homebuilding operations in various markets. Results from certain of these exited markets are reported as discontinued operations in the accompanying consolidated statements of operations for all periods presented (see Note 19 for a further discussion of our discontinued operations).

Our fiscal year 2020 began on October 1, 2019 and ended on September 30, 2020. Our fiscal year 2019 began on October 1, 2018 and ended on September 30, 2019. Our fiscal year 2018 began on October 1, 2017 and ended on September 30, 2018.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make informed estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from these estimates.

Business Combinations

The Company accounts for acquisitions in accordance with ASC 805, *Business Combinations*, by allocating the purchase price of the business to assets acquired and liabilities assumed based upon management's estimates of fair values as of the acquisition date. Any excess purchase price over the estimated fair value of net assets acquired is recorded as goodwill, which is assigned to applicable reporting units based on expected revenues. The fair value estimation process includes analyses based on income and market approaches. Significant judgment is often required in estimating the fair value of assets acquired, particularly inventory and intangible assets. These estimates and assumptions are based on historical experience, information obtained from the management of the acquired companies, and the Company’s judgment about the significant assumptions that market participants would use when determining fair value. The estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill, are recorded in the reporting period in which the adjustment amounts are determined. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in our results of operations in the reporting period such adjustments are made.

On July 13, 2018, the Company acquired substantially all of the assets, operations, and certain assumed liabilities of Venture Homes, a leading private homebuilder in the Atlanta market, for a purchase price of $61.3 million, net of cash acquired. The acquired assets and liabilities were recorded at their estimated fair values and resulted in inventory of $55.2 million and goodwill of $11.4 million, and other assets of $0.4 million as well as accounts payable of $5.5 million and other liabilities of $0.2 million.

Cash and Cash Equivalents and Restricted Cash

We consider highly liquid investments with maturities of three months or less when acquired to be cash equivalents. As of September 30, 2020, the majority of our cash and cash equivalents were on demand deposits with major banks. These assets were valued at par and had no withdrawal restrictions. Restricted cash includes cash restricted by state law or a contractual requirement, including cash collateral for our outstanding cash-secured letters of credit (refer to Note 8).

Accounts Receivable and Allowance

Accounts receivable include escrow deposits to be received from title companies associated with closed homes, receivables from municipalities related to the development of utilities or other infrastructure, land banker reimbursements to be received related to land development costs, rebates to be received from our suppliers and other miscellaneous receivables. Generally, we receive cash from title companies within a few days of the home being closed. We regularly review our receivable balances for collectability and record an allowance against any receivable for which collectability is deemed to be uncertain.

Owned Inventory

Owned inventory consists of residential real estate developments. Inventory includes land acquisition costs, land development costs, home construction costs, capitalized interest, real estate taxes, direct overhead costs and capitalized indirect costs incurred during land development and home construction, and common costs that benefit the entire community, less impairments, if any. Land acquisition, land development and other common costs (both incurred and estimated to be incurred) are allocated to individual lots on a pro-rata basis, and the cost of individual lots is transferred to homes under construction when home construction begins. Home construction costs are accumulated on a per-home basis. Cost of home closings includes the specific construction costs of the home and the allocated lot costs. Any changes to the estimated total development costs of a community or phase are allocated to the remaining homes to be closed in the community or phase. Refer to Note 5 for a further discussion and detail of our inventory balance.

Inventory Valuation - Projects in Progress

Our homebuilding inventories that are accounted for as held for development (projects in progress) include land and home construction assets grouped together as communities. Homebuilding inventories held for development are stated at cost (including home construction costs, direct overhead costs, capitalized indirect costs, capitalized interest, real estate taxes and allocated lot costs) unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. We assess these assets no less than quarterly for recoverability. Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct and close all the homes in a typical community. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the expected undiscounted cash flows generated are less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

When conducting our community level review for the recoverability of our homebuilding inventory related to projects in progress, we consider both qualitative and quantitative factors to establish a quarterly “watch list” of communities. Each community is evaluated qualitatively and quantitatively to determine if there are factors driving the low profitability levels. Communities with more than ten homes remaining to close with potential indicators of impairment resulting from this initial evaluation are subjected to substantial additional financial and operational analyses and review that consider the competitive environment and other factors contributing to profit margins below our specified thresholds. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. For certain communities, it may be prudent to reduce sales prices or further increase sales incentives in response to a variety of factors, including competitive market conditions in those specific submarkets for the product and locations of these communities. For communities where the current competitive and market dynamics indicate that assets may not be recoverable, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analyses and a quantitative analysis reflecting market and asset specific information.

Our qualitative competitive market analyses include site visits to new home communities of our competitors and written community-level competitive assessments. A competitive assessment consists of a comparison of our specific community with its competitor communities, considering square footage of homes offered, amenities offered within the homes and the communities, location, transportation availability and school districts, among other relevant attributes. In addition, we review the pace of monthly home sales of our competitor communities in relation to our specific community. We also review other factors, such as the target buyer and the macro-economic characteristics that impact the performance of our asset, including unemployment and the availability of mortgage financing, among other things. Based on this qualitative competitive market analysis, adjustments to our sales prices may be required in order to make our communities competitive. We incorporate these adjusted prices in our quantitative analysis for the specific community.

The quantitative analyses compare the projected future undiscounted cash flows for each such community with its current carrying value. This undiscounted cash flow analysis requires important assumptions regarding the location and mix of house plans to be sold, current and future home sale prices and incentives for each plan, current and future construction costs for each plan and the pace of monthly sales to occur today and into the future.

There is uncertainty associated with preparing the undiscounted cash flow analyses because future market conditions will almost certainly be different, either better or worse, than current conditions. The single most important input to the cash flow analysis is current and future home sales prices for a specific community. The risk of over or under-stating any of the important cash flow variables, including home prices, is greater with longer-lived communities and within markets that have historically experienced greater home price volatility. To address these risks, we consider some home price and construction cost appreciation in future years for certain communities that are expected to be selling for more than three years and/or if the market has typically exhibited high levels of price volatility. Absent these assumptions on cost and sales price appreciation, we believe the long-term cash flow analysis would be unrealistic and would serve to artificially improve expected future profitability. Finally, we also ensure that the monthly sales absorptions, including historical seasonal differences of our communities and those of our competitors, used in our undiscounted cash flow analyses are realistic, considering our development schedules and comparing to those achieved by our competitors for the comparable communities.

If the aggregate undiscounted cash flows from our quantitative analyses are in excess of the carrying value, the asset is considered to be recoverable and is not impaired. If the aggregate undiscounted cash flows are less than the carrying value, we perform a discounted cash flow analysis to determine the fair value of the community. The fair value of the community is estimated based on the present value of the estimated future cash flows using discount rates commensurate with the risk associated with the underlying community assets. The discount rate used may be different for each community. The factors considered when determining an appropriate discount rate for a community include, among others: (1) community specific factors such as the number of lots in the community, the status of land development in the community and the competitive factors influencing the sales performance of the community and (2) overall market factors such as employment levels, consumer confidence and the existing supply of new and used homes for sale. If the determined fair value is less than the carrying value of the specific asset, the asset is considered not recoverable and is written down to its fair value. The carrying value of assets in communities that were previously impaired and continue to be classified as projects in progress is not increased for future estimates of increases in fair value in future reporting periods. However, market deterioration that exceeds our initial estimates may lead us to incur impairment charges on previously impaired homebuilding assets, in addition to homebuilding assets not currently impaired but for which indicators of impairment may arise if markets deteriorate.

Inventory Valuation - Land Held for Future Development

For those communities that have been idled (land held for future development), all applicable carrying costs, such as interest and real estate taxes, are expensed as incurred, and the inventory is stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable, such as the future enactment of a development plan or the occurrence of outside events. We evaluate the potential plans for each community in land held for future development if changes in facts and circumstances occur that would give rise to a more detailed analysis for a change in the status of a community.

Inventory Valuation - Land Held for Sale

We record assets held for sale at the lower of the asset's carrying value or fair value less costs to sell. The following criteria are used to determine if land is held for sale:

- management has the authority and commits to a plan to sell the land;
- the land is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of land assets;
- there is an active program to locate a buyer and the plan to sell the property has been initiated;

- the sale of the land is probable within one year;
- the property is being actively marketed at a reasonable sale price relative to its current fair value; and
- it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

Additionally, in certain circumstances, such as a change in strategy, management will re-evaluate the best use of an asset that is currently being accounted for as held for development. In such instances, management will review, among other things, the current and projected competitive circumstances of the community, including the level of supply of new and used inventory, the level of sales absorptions by us and our competition, the level of sales incentives required and the number of owned lots remaining in the community. If, based on this review, we believe that the best use of the asset is the sale of all or a portion of the asset in its current condition, then all or portions of the community are accounted for as held for sale if the foregoing criteria have been met as of the end of the applicable reporting period.

In determining the fair value of the assets less cost to sell, we consider factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals, any recent legitimate offers and listing prices of similar properties. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about land sales prices require significant judgment because the market is highly sensitive to changes in economic conditions. We calculate the estimated fair values of land held for sale based on current market conditions and assumptions made by management, which may differ materially from actual results and may result in additional impairments if market conditions deteriorate.

Lot Option Agreements and Variable Interest Entities (VIE)

In addition to purchasing land directly, we utilize lot option agreements that enable us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we have determined whether to exercise our lot option. The majority of our lot option contracts require a non-refundable cash deposit or irrevocable letter of credit based on a percentage of the purchase price of the land for the right to acquire lots during a specified period at a specified price. Purchase of the properties under these agreements is contingent upon satisfaction of certain requirements by us and the sellers. Under lot option contracts, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred. If the Company cancels a lot option agreement, it would result in a write-off of the related deposits and pre-acquisition costs, but would not expose the Company to the overall risks or losses of the applicable entity we are purchasing from.

In accordance with ASC Topic 810, *Consolidation* (ASC 810), if the entity holding the land under option is a variable VIE, the Company's deposit represents a variable interest in that entity. ASC 810 requires a company consolidate a VIE if the company is determined to be the primary beneficiary. To determine whether we are the primary beneficiary of the VIE, we first evaluate whether we have the ability to control the activities of the VIE that most significantly impact its economic performance. Such activities include, but are not limited to, (1) the ability to determine the budget and scope of land development work, if any; (2) the ability to control financing decisions for the VIE; (3) the ability to acquire additional land into the VIE or dispose of land in the VIE not under contract with Beazer; and (4) the ability to change or amend the existing option contract with the VIE. If we are not determined to control such activities, we are not considered the primary beneficiary of the VIE and thus do not consolidate the VIE. If we do have the ability to control such activities, we will continue our analysis by determining if we are expected to absorb a potentially significant amount of the VIE's losses or, if no party absorbs the majority of such losses, if we will benefit from potentially a significant amount of the VIE's expected gains.

If we are the primary beneficiary of the VIE, we will consolidate the VIE even though creditors of the VIE have no recourse against the Company. For those we consolidate, we record the remaining contractual purchase price under the applicable lot option agreement, net of option deposits already paid, to consolidated inventory not owned with an offsetting increase to obligations related to consolidated inventory not owned on our consolidated balance sheets. Also, to reflect the total purchase price of this inventory on a consolidated basis, we present the related option deposits as consolidated inventory not owned. No VIEs required consolidation as of September 2020 and 2019 because we have determined that we were not the primary beneficiary of any VIEs.

Investments in Unconsolidated Entities

We participate in a number of joint ventures and other investments in which we have less than a controlling interest. We enter into the majority of these investments with land developers, other homebuilders and financial partners to acquire attractive land positions, to manage our risk profile and to leverage our capital base. The land positions are developed into finished lots for sale to the unconsolidated entity's members or other third parties. We recognize our share of equity in income (loss) and profits (losses) from the sale of lots to other buyers. Our share of profits from lots we purchase from the unconsolidated entities is deferred and treated as a reduction of the cost of the land purchased from the unconsolidated entity. Such profits are subsequently recognized at the time the home closes and title passes to the homebuyer. We evaluate our investments in unconsolidated entities for impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in the value of our investment in the unconsolidated entity has occurred that is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying value over its estimated fair value. Our unconsolidated entities typically obtain secured acquisition, development and construction financing. We account for our interest in unconsolidated entities under the equity method. For additional discussion of these entities, refer to Note 4.

Property and Equipment, Net

Our property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is computed on a straight-line basis based on estimated useful lives as follows:

Asset Class	Useful Lives
Buildings	25 - 30 years
Information systems	Lesser of estimated useful life of the asset or 5 years
Furniture, fixtures and computer and office equipment	3 - 7 years
Model and sales office improvements	Lesser of estimated useful life of the asset or estimated life of the community
Leasehold improvements	Lesser of the lease term or the estimated useful life of the asset

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets from the businesses that we acquire. The Company's entire goodwill balance, recorded in our Southeast reportable segment, is related to the Venture Homes acquisition that occurred during fiscal 2018. The Company evaluates goodwill for impairment at the reporting unit level annually during the fourth quarter or more often if indicators of impairment exist.

The Company has the option to perform a qualitative or quantitative assessment to determine whether the fair value of a reporting unit exceeds its carrying value. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is more likely than not that the fair value of the reporting unit is less than the carrying value, then a quantitative assessment is performed.

The fair value of the reporting unit is estimated using a combination of the income approach, utilizing the discounted cash flow method, and the market approach, utilizing readily available market valuation multiples. If the estimated fair value of the reporting unit is less than its carrying value, an impairment will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. Determining the fair value of a reporting unit under the quantitative goodwill impairment assessment requires the Company to make estimates and assumptions regarding future operating results, cash flows (including timing), discount rates, expected growth rates, capital expenditures and cost of capital, similar to those a market participant would use to assess fair value. We also make certain assumptions about future economic conditions and other data. Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods.

During the fourth quarter of 2020, the Company performed its annual goodwill impairment analysis and concluded our goodwill was not impaired.

Other Assets

Our other assets principally include prepaid expenses and assets related to our deferred compensation plan (refer to Note 15 for a discussion of our deferred compensation plan).

Other Liabilities

Our other liabilities principally include accrued compensations and benefits, accrued interest on our outstanding borrowings, customer deposits, accrued warranty expense, litigation accruals, income tax liabilities and other accruals related to our operations. Refer to Note 12 for a detail of our other liabilities.

Income Taxes

Our provision for income taxes is comprised of taxes that are currently payable and deferred taxes that relate to temporary differences between financial reporting carrying values and tax bases of assets and liabilities. Deferred tax assets and liabilities result from deductible or taxable amounts in future years when such assets and liabilities are recovered or settled, and are measured using the enacted tax rates and laws that are expected to be in effect when the assets and liabilities are recovered or settled. We include any estimated interest and penalties on tax related matters in income taxes payable. We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. We record interest and penalties related to unrecognized tax benefits in income tax expense within our consolidated statements of operations. Changes in recognition of measurement are recorded in the period in which the change in judgment occurs. For a discussion of our evaluation of and accounting for valuation allowances, refer to Note 13.

Our income tax receivable includes the refundable portion of our alternative minimum tax credit. The alternative minimum tax credit became a refundable credit when the alternative minimum tax was eliminated with the enactment of the Tax Cuts and Jobs Act on December 22, 2017. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provides companies with the ability to make a refund claim for their entire alternative minimum tax credits as early as their 2018 tax return. As a result, we reduced our deferred tax asset by the remaining $4.6 million of alternative minimum tax credits and increased our tax receivable for the refund we expect to receive with the filing of our fiscal 2019 tax return.

Revenue Recognition

We recognize revenue upon the transfer of promised goods to our customers in an amount that reflects the consideration to which we expect to be entitled by applying the following five-step process specified in ASC 606.

- Identify the contract(s) with a customer
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue when the performance obligations are met

The following table presents our total revenue disaggregated by revenue stream:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Homebuilding revenue	**$ 2,116,910**	$ 2,077,245	$ 2,077,360
Land sales and other revenue	**10,167**	10,494	29,773
Total revenue [a]	**$ 2,127,077**	$ 2,087,739	$ 2,107,133

[a] Please see Note 18 for total revenue disaggregated by reportable segment.

Homebuilding revenue

Homebuilding revenue is reported net of any discounts and incentives and is generally recognized when title to and possession of the home are transferred to the buyer at the closing date. The performance obligation to deliver the home is generally satisfied in less than one year from the original contract date. Home sale contract assets consist of cash from home closings held
by title companies in escrow for our benefit, typically for less than five days, and are considered accounts receivable. Contract liabilities include customer deposits related to sold but undelivered homes and totaled $18.9 million and $11.5 million as of September 30, 2020 and September 30, 2019, respectively. Of the customer liabilities outstanding as of September 30, 2019, $10.5 million was recognized in revenue during the year ended September 30, 2020, upon closing of the related homes, and $1.0 million was refunded to or forfeited by the buyer.

Land sales and other revenue

Land sales revenue relates to land and lots sold that do not fit within our homebuilding programs and strategic plans. Land sales typically require cash consideration on the closing date, which is generally when performance obligations are satisfied. We also provide title examinations for our homebuyers in certain markets. Revenues associated with our title operations are recognized as closing services are rendered and title insurance policies are issued, both of which generally occur as each home is closed.

Home Construction Expenses

Home construction expenses includes the specific construction costs of the home and the allocated lot costs (land acquisition, land development and other common costs are allocated to individual lots on a pro-rata basis based on the number of lots remaining to close). All home closing costs are charged to home construction expenses in the period when the revenues from home closing are recognized.

Sales discounts and incentives include cash discounts, discounts on home building options, option upgrades and seller-paid financing or closing costs. Cash discounts are accounted for as a reduction in the sale price of the home, thereby decreasing the amount of revenue we recognize on that closing. All sales incentives other than cash discounts are recognized as a cost of selling the home and are included in home construction expenses.

Estimated future warranty costs are charged to home construction expense in the period when the revenues from home closings are recognized. Such estimated warranty costs generally range from 0.3% to 1.3% of total revenue recognized for each home closed. Additional warranty costs are charged to home construction expenses as necessary based on management's estimate of the costs to remediate existing claims. See Note 9 for a more detailed discussion of warranty costs and related reserves.

Advertising Costs

Advertising costs related to continuing operations of $15.9 million, $17.9 million, and $17.6 million for our fiscal years 2020, 2019 and 2018, respectively, were expensed as incurred and were included in general and administrative (G&A) expenses in the consolidated statements of operations.

Fair Value Measurements

Certain of our assets are required to be recorded at fair value on a recurring basis, for example, the fair value of our deferred compensation plan assets are based on market-corroborated inputs (level 2). Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recovered (level 3). For example, we review our long-lived assets, including inventory, for recoverability when factors indicate an impairment may exist, but no less than quarterly. Fair value is based on estimated cash flows discounted for market risks associated with the long-lived assets. The fair value of certain of our financial instruments approximates their carrying amounts due to the short maturity of these assets and liabilities or the variable interest rates on such obligations. The fair value of our publicly-held debt is generally estimated based on quoted bid prices for these instruments (level 2). Certain of our other financial instruments are estimated by discounting scheduled cash flows through maturity or using market rates currently being offered on loans with similar terms and credit quality. The fair value of our investments in unconsolidated entities is determined primarily using a discounted cash flow model to value the underlying net assets of the respective entities. See Note 10 for additional discussion of our fair value measurements.

Stock-Based Compensation

We use the Black-Scholes option-pricing model to value our stock option grants. Other stock-based awards with only performance conditions granted to employees are valued based on the market price of the common stock on the date of the grant. Stock-based awards with market conditions granted to employees are valued using the Monte Carlo valuation method. On the date of grant, we estimate forfeitures in calculating the expense related to stock-based compensation. In addition, we reflect the benefits of tax deductions in excess of recognized compensation cost as an operating cash outflow. Compensation cost arising from all stock-based compensation awards is recognized as expense using the straight-line method over the vesting period and is included in G&A in our consolidated statements of operations. See Note 16 for additional discussion of our stock-based compensation.

Recent Accounting Pronouncements

Leases. On October 1, 2019, we adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASU 2016-02) and related amendments, collectively codified in ASC 842, *Leases* (ASC 842). ASC 842 requires lessees to record most leases on their balance sheets by recognizing a right-of-use asset, representing the right to use the identified asset during the lease term, and a corresponding lease liability, representing the present value of the lease payments over the lease term. Lessor accounting will be largely similar to that under the previous accounting rules. ASC 842 also requires significantly enhanced disclosures around an entity's leases and the related accounting. As part of our adoption of ASC 842, we applied a modified retrospective approach, whereby prior year financial statements were not recast. As a result, our consolidated financial statements as of and for the year ending September 30, 2019 were not restated and continues to be reported under the previous lease standard (ASC 840) and is therefore not comparative. We also elected the package of transition practical expedients, which allowed us to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) the initial direct costs for any existing leases. In addition, we elected the practical expedient that allows lessees to account for lease and non-lease components together as a single component for all leases. Upon adoption of ASC 842, we recorded net operating lease right-of-use (ROU) assets of $13.9 million and operating lease liabilities of $16.0 million. Existing prepaid rent and accrued rent were recorded as an offset to the gross operating lease ROU assets. The adoption of ASC 842 did not have any impact on our retained earnings. See Note 11 for additional discussion of our operating leases.

Fair Value Measurements. In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework* (ASU 2018-13). The updated guidance improves the disclosure requirements for fair value measurements. The updated guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted for any removed or modified disclosures. We do not expect the adoption of ASU 2018-13 to have a material impact on our consolidated financial statements or related disclosures.

Reference Rate Reform. In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04). ASU 2020-04 provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This guidance is effective beginning on March 12, 2020, and can be adopted no later than December 31, 2022, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on its consolidated financial statements and related disclosures.

(3) Supplemental Cash Flow Information

The following table presents supplemental disclosure of non-cash and cash activity as well as a reconciliation of total cash balances between the condensed consolidated balance sheets and condensed consolidated statements of cash flows for the periods presented:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Supplemental disclosure of non-cash activity:			
Beginning operating lease right-of-use asset (ASC 842 adoption)	**$ 13,895**	$ —	$ —
Beginning operating lease liability (ASC 842 adoption)	**16,028**	—	—
Supplemental disclosure of cash activity:			
Interest payments	**$ 71,888**	$ 101,109	$ 95,857
Income tax payments	**546**	766	607
Tax refunds received	**315**	12	162
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	**$ 327,693**	$ 106,741	$ 139,805
Restricted cash	**14,835**	16,053	13,443
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	**$ 342,528**	$ 122,794	$ 153,248

(4) Investments in Unconsolidated Entities

Unconsolidated Entities

As of September 30, 2020, the Company participated in certain joint ventures and had investments in unconsolidated entities in which it had less than a controlling interest. The following table presents the Company's investment in these unconsolidated entities as well as the total equity and outstanding borrowings of these unconsolidated entities as of September 30, 2020 and September 30, 2019:

in thousands	**September 30, 2020**	September 30, 2019
Investment in unconsolidated entities	**$ 4,003**	$ 3,962
Total equity of unconsolidated entities	**7,079**	9,969
Total outstanding borrowings of unconsolidated entities	**8,807**	12,658

Equity in income from unconsolidated entity activities included in income from continuing operations is as follows for the periods presented:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Income from unconsolidated entity activity	**$ 347**	$ 404	$ 375
Impairment of unconsolidated entity investment	**—**	—	(341)
Equity in income of unconsolidated entities	**$ 347**	$ 404	$ 34

No impairments for unconsolidated entities were recorded during the fiscal years ended September 30, 2020 and September 30, 2019. For the fiscal year ended September 30, 2018, we recorded a $0.3 million impairment charge in the consolidated statements of operations related to an investment in an unconsolidated entity.

Guarantees

Historically, the Company's joint ventures typically obtained secured acquisition, development, and construction financing. In addition, the Company and its joint venture partners provided varying levels of guarantees of debt and other debt-related obligations for these unconsolidated entities. However, as of September 30, 2020 and September 30, 2019, the Company had no outstanding guarantees or other debt-related obligations related to our investments in unconsolidated entities.

The Company and its joint venture partners generally provide unsecured environmental indemnities to land development joint venture project lenders. These indemnities obligate the Company to reimburse the project lenders for claims related to environmental matters for which they are held responsible. During our fiscal years ended September 30, 2020 and 2019, the Company was not required to make any payments related to environmental indemnities.

In assessing the need to record a liability for these guarantees, the Company considers its historical experience in being required to perform under the guarantees, the fair value of the collateral underlying these guarantees, and the financial condition of the applicable unconsolidated entities. In addition, the fair value of the collateral of unconsolidated entities is monitored to ensure that the related borrowings do not exceed the specified percentage of the value of the property securing the borrowings. As of September 30, 2020, no liability was recorded for the contingent aspects of any guarantees that were determined to be reasonably possible but not probable.

(5) Inventory

The components of our owned inventory as of September 30, 2020 and September 30, 2019 are as follows:

in thousands		**September 30, 2020**		September 30, 2019
Homes under construction	**$**	**525,021**	$	507,542
Development projects in progress		**589,763**		738,201
Land held for future development		**28,531**		28,531
Land held for sale		**12,622**		12,662
Capitalized interest		**119,659**		136,565
Model homes		**75,142**		80,747
Total owned inventory	**$**	**1,350,738**	$	1,504,248

Homes under construction include homes substantially finished and ready for delivery and homes in various stages of construction, including the cost of the underlying lot. We had 133 (with a cost of $42.2 million) and 238 (with a cost of $82.2 million) substantially completed homes that were not subject to a sales contract (spec homes) as of September 30, 2020 and 2019, respectively.

Development projects in progress consist principally of land acquisition, land development and other common costs. These land related costs are allocated to individual lots on a pro-rata basis, and the lot costs are transferred to homes under construction when home construction begins for the respective lots. Certain of the fully developed lots in this category are reserved by a customer deposit or sales contract.

Land held for future development consists of communities for which construction and development activities are expected to occur in the future or have been idled and are stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. All applicable interest and real estate taxes on land held for future development are expensed as incurred.

Land held for sale includes land and lots that do not fit within our homebuilding programs and strategic plans in certain markets, and land is classified as held for sale once certain criteria are met (refer to Note 2). These assets are recorded at the lower of the carrying value or fair value less costs to sell.

The amount of interest we are able to capitalize depends on our qualified inventory balance, which considers the status of our inventory holdings. Our qualified inventory balance includes the majority of our homes under construction and development projects in progress but excludes land held for future development and land held for sale (see Note 6 for additional information on capitalized interest).

Total owned inventory by reportable segment is presented in the table below as of September 30, 2020 and September 30, 2019:

in thousands	Projects in Progress [a]	Land Held for Future Development	Land Held for Sale	Total Owned Inventory
September 30, 2020				
West Segment	**$ 627,986**	**$ 3,483**	**$ 4,516**	**$ 635,985**
East Segment	**241,799**	**14,077**	**3,702**	**259,578**
Southeast Segment	**266,905**	**10,971**	**4,404**	**282,280**
Corporate and unallocated [b]	**172,895**	**—**	**—**	**172,895**
Total	**$ 1,309,585**	**$ 28,531**	**$ 12,622**	**$ 1,350,738**
September 30, 2019				
West Segment	$ 723,094	$ 3,483	$ 5,160	$ 731,737
East Segment	228,937	14,077	4,104	247,118
Southeast Segment	318,737	10,971	3,398	333,106
Corporate and unallocated [b]	192,287	—	—	192,287
Total	$ 1,463,055	$ 28,531	$ 12,662	$ 1,504,248

[a] Projects in progress include homes under construction, development projects in progress, capitalized interest, and model home categories from the preceding table.

[b] Projects in progress amount includes capitalized interest and indirect costs that are maintained within our Corporate and unallocated segment.

Inventory Impairments and Abandonments

The following table presents, by reportable segment, our total impairment and abandonment charges for the periods presented:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Projects in Progress:			
West	**$ —**	$ 92,912	$ —
Southeast	**—**	858	793
Corporate and unallocated [(a)]	**—**	16,260	212
Total impairments on projects in progress	**$ —**	$ 110,030	$ 1,005
Land Held for Sale:			
West	**$ 89**	$ 37,963	$ —
East	**—**	—	168
Southeast	**8**	—	3,218
Corporate and unallocated [(a)]	**1,160**	625	2,108
Total impairments on land held for sale	**$ 1,257**	$ 38,588	$ 5,494
Abandonments:			
West	**$ 923**	$ —	$ —
East	**82**	—	—
Southeast	**641**	—	—
Total abandonments	**$ 1,646**	$ —	$ —
Total continuing operations	**$ 2,903**	$ 148,618	$ 6,499
Discontinued Operations:			
Land Held for Sale	**$ —**	$ —	$ 450
Total discontinued operations	**$ —**	$ —	$ 450
Total impairments and abandonments	**$ 2,903**	$ 148,618	$ 6,949

(a) Amount represents capitalized interest and indirect costs that were impaired. Capitalized interest and indirect costs are maintained within our Corporate and unallocated segment.

Projects in Progress Impairments

When conducting our community level review for the recoverability of inventory related to projects in progress, we consider both qualitative and quantitative factors to establish a quarterly “watch list” of communities. Each community is evaluated qualitatively and quantitatively to determine if there are factors driving the low profitability levels. Communities with more than ten homes remaining to close with potential indicators of impairment resulting from this initial evaluation are subjected to additional financial and operational reviews that consider the competitive environment and other factors contributing to gross margins below our specified threshold. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. For certain communities, it may be prudent to reduce sales prices or further increase sales incentives in response to a variety of factors, including competitive market conditions in those specific submarkets for the product and locations of these communities. For communities where the current competitive and market dynamics indicate that assets may not be recoverable, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analyses and quantitative analyses reflecting market and asset specific information. The quantitative analyses compare the projected future undiscounted cash flows for each such community with its current carrying value. If the aggregate undiscounted cash flows from our quantitative analyses are in excess of the carrying value, the asset is considered to be recoverable and is not impaired. If the aggregate undiscounted cash flows are less than the carrying value, we perform a discounted cash flow analysis to determine the fair value of the community.

During the year ended September 30, 2020, we performed our quarterly inventory impairment assessment taking into consideration the qualitative and quantitative factors discussed above, and determined that no community required a formal impairment analysis (projected cash flow analysis). No project in progress impairment charges were recognized during fiscal 2020.

During the year ended September 30, 2019, we performed discounted cash flow analysis on ten communities, nine in the West segment and one in the Southeast segment, and recognized a total of $110.0 million impairment charges related to our projects in progress. Refer to below for further discussion.

During the year ended September 30, 2018, we performed discounted cash flow analysis on one community in the Southeast segment, and recognized an impairment charge of $1.0 million principally due to a reduction in price taken that is other than temporary based on the competitive and market dynamics.

The table below presents, by reportable segment, details of the impairment charges taken on projects in progress for the periods presented (no discounted cash flow analysis was performed during fiscal 2020):

$ in thousands	Results of Discounted Cash Flow Analyses Prepared			
Segment	**# of Communities Impaired**	**# of Lots Impaired**	**Impairment Charge**	**Estimated Fair Value of Impaired Inventory at Time of Impairment**
Year Ended September 30, 2019				
West	9	839	$ 92,912	$ 69,449
Southeast	1	15	858	1,367
Corporate and unallocated [(a)]	—	—	16,260	14,166
Total	10	854	$ 110,030	$ 84,982
Year Ended September 30, 2018				
Southeast	1	25	$ 793	$ 1,312
Corporate and unallocated [(a)]	—	—	212	—
Total	1	25	$ 1,005	$ 1,312

[(a)] Amount represents the capitalized interest and indirect cost that were impaired. Capitalized interest and indirect costs are maintained within our Corporate and unallocated segment.

During the second quarter of fiscal 2019, we recognized impairment charges of $147.6 million related to fifteen communities in our California submarkets, all of which were previously land held for future development assets. As of the beginning of the quarter, nine of these communities were included in projects in progress due to their activation for development in prior periods, while the remaining six communities were classified as land held for future development (refer to below section titled "Land Held for Sale Impairments" for further discussion). We performed discounted cash flow analyses for the nine communities in projects in progress and recognized $109.0 million impairment charges, principally due to a reduction in price that is other than temporary based on competitive and market dynamics.

Valuation assumptions for communities tested for impairment are specific to each community. For projects in progress impaired during the periods presented, we determined the fair value of each community by discounting its estimated future cash flows at a rate commensurate with the risks inherent in the project. The discount rate used depends on the development stage and expected duration of the project, local market conditions, and other specific factors. The estimated future cash flows for each community were determined based on the expected pace of closings and average sales price of the community less expected costs for land acquisition and land development, direct construction, overhead, and interest. We determined the fair value of land held for sale assets impaired during the periods presented based on sales contracts, letters of intent, and recent comparable land sale transactions, as applicable. The assumptions used in the determination of fair value of both projects in progress and land held for sale communities are based on factors known to us at the time such estimates are made and our expectations of future operations and market conditions. Should the estimates or expectations used in determining estimated fair values deteriorate in the future, we may be required to recognize additional impairment charges and write-offs related to these assets, and such amounts could be material.

The table below presents the ranges or values of significant quantitative unobservable inputs we used in determining the fair value of the communities impaired during the periods presented:

	Fiscal Year Ended September 30,	
Unobservable Inputs	2019	2018
Average selling price (in thousands)	\$350 - \$615	\$356
Closings per community per month	1 - 4	1 - 6
Discount rate	14.7% - 16.8%	15.1 %

Land Held for Sale Impairments

Impairments on land held for sale generally represent write downs of these properties to net realizable value based on sales contracts, letters of intent, current market conditions and recent comparable land sale transactions, as applicable. Absent an executed sales contract, our assumptions related to land sales prices require significant judgment because the real estate market is highly sensitive to changes in economic conditions, and our estimates of sale prices could differ significantly from actual results.

During the year ended September 30, 2020, we recognized \$1.3 million land held for sales impairment charges related to two held for sale communities in our West and Southeast segments.

During the second quarter of fiscal 2019, concurrent with the California projects in progress impairment analyses described above, we performed a strategic review of our remaining land held for future development assets in California and determined to sell these parcels. As a consequence of change in strategy with respect to the future use of these assets, we recognized land held for sale impairments totaling \$38.6 million for six communities in our West segment.

During the year ended September 30, 2018, we recognized \$5.5 million land held for sales impairment charges related to two held for sale communities in the East and Southeast segments. In addition, we recognized \$0.5 million land held for sales impairment charges related to one held for sale community in our discontinued operations.

Abandonments

From time-to-time, we may determine to abandon lots or not exercise certain option contracts that are not projected to produce adequate results, or no longer fit with our long-term strategic plan. In determining whether to abandon lots or lot option contracts, our evaluation is primarily based upon the expected cash flows from the property. Additionally, in certain limited instances, we are forced to abandon lots due to seller non-performance, or permitting or other regulatory issues that do not allow us to build on those lots. If we intend to abandon or walk away from a property, we record an abandonment charge to earnings for the deposit amount and any related capitalized costs in the period such decision is made. During the year ended September 30, 2020, we recognized \$1.6 million abandonment charges related to six under contract land acquisition deals that we decided to terminate. There were no abandonment charges recognized during our fiscal 2019 and 2018.

Lot Option Agreements

As previously discussed, we also have access to land inventory through lot option contracts, which generally enable us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we have determined whether to exercise our lot option. The majority of our lot option contracts require a non-refundable cash deposit or irrevocable letter of credit based on a percentage of the purchase price of the land for the right to acquire lots during a specified period of time at a specified price. Under lot option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our liability under option contracts is generally limited to forfeiture of the non-refundable deposits, letters of credit, and other non-refundable amounts incurred. We expect to exercise, subject to market conditions and seller satisfaction of contract terms, most of our remaining option contracts. Various factors, some of which are beyond our control, such as market conditions, weather conditions, and the timing of the completion of development activities, will have a significant impact on the timing of option exercises or whether lot options will be exercised at all.

The following table provides a summary of our interests in lot option agreements as of September 30, 2020 and September 30, 2019:

in thousands		Deposits & Non-refundable Pre-acquisition Costs Incurred		Remaining Obligation
As of September 30, 2020				
Unconsolidated lot option agreements	**$**	**75,921**	**$**	**395,133**
As of September 30, 2019				
Unconsolidated lot option agreements	$	78,202	$	389,705

(6) Interest

Interest capitalized during the fiscal years ended September 30, 2020, 2019 and 2018 was limited by the balance of inventory eligible for capitalization. The following table presents certain information regarding interest for the periods presented:

	Fiscal Year Ended September 30,					
in thousands		**2020**		2019		2018
Capitalized interest in inventory, beginning of period	**$**	**136,565**	$	144,645	$	139,203
Interest incurred		**87,224**		103,970		103,880
Capitalized interest impaired		**(792)**		(13,907)		(1,961)
Interest expense not qualified for capitalization and included as other expense [(a)]		**(8,468)**		(3,109)		(5,325)
Capitalized interest amortized to home construction and land sales expenses [(b)]		**(94,870)**		(95,034)		(91,152)
Capitalized interest in inventory, end of period	**$**	**119,659**	$	136,565	$	144,645

[(a)] The amount of interest capitalized depends on the qualified inventory balance, which considers the status of the Company's inventory holdings. The qualified inventory balance includes the majority of homes under construction and development projects in progress but excludes land held for future development and land held for sale.

[(b)] Capitalized interest amortized to home construction and land sales expenses varies based on the number of homes closed during the period and land sales, if any, as well as other factors.

(7) Property and Equipment

The following table presents our property and equipment as of September 30, 2020 and September 30, 2019:

in thousands		**September 30, 2020**		September 30, 2019
Model furnishings and sales office improvements	**$**	**17,604**	$	21,114
Information systems		**14,930**		15,045
Furniture, fixtures and office equipment		**10,287**		10,068
Leasehold improvements		**4,959**		5,136
Buildings and improvements		**1,671**		1,671
Property and equipment, gross		**49,451**		53,034
Less: Accumulated depreciation		**(27,171)**		(25,613)
Property and equipment, net	**$**	**22,280**	$	27,421

(8) Borrowings

The Company's debt, net of unamortized debt issuance costs consisted of the following as of September 30, 2020 and September 30, 2019:

in thousands	**Maturity Date**	**September 30, 2020**	September 30, 2019
Senior Unsecured Term Loan (Term Loan)	September 2022	**$ 100,000**	$ 150,000
6 3/4% Senior Notes (2025 Notes)	March 2025	**229,555**	229,555
5 7/8% Senior Notes (2027 Notes)	October 2027	**394,000**	394,000
7 1/4% Senior Notes (2029 Notes)	October 2029	**350,000**	350,000
Unamortized debt issuance costs		**(10,891)**	(12,470)
Total Senior Notes, net		**1,062,664**	1,111,085
Junior Subordinated Notes (net of unamortized accretion of $32,636 and $34,703, respectively)	July 2036	**68,137**	66,070
Secured Revolving Credit Facility	February 2022 [(a)]	**—**	—
Other Secured Notes Payable	Various Dates	**—**	1,154
Total debt, net		**$ 1,130,801**	$ 1,178,309

[(a)] On October 8, 2020, the Company executed a Ninth Amendment to the Facility. The Ninth Amendment extended the termination date of the Facility from February 15, 2022 to February 15, 2023. For further discussion of the Ninth Amendment, refer to Note 21.

As of September 30, 2020, the future maturities of our borrowings were as follows:

Fiscal Year Ended September 30,	
in thousands	
2021	**$ 50,000**
2022	**50,000**
2023	**—**
2024	**—**
2025	**229,555**
Thereafter	**844,773**
Total	**$ 1,174,328**

Secured Revolving Credit Facility

The Secured Revolving Credit Facility (the Facility) provides working capital and letter of credit capacity of $250.0 million. The Facility is currently with four lenders.

The Facility allows us to issue letters of credit against the undrawn capacity. Subject to our option to cash collateralize our obligations under the Facility upon certain conditions, our obligations under the Facility are secured by liens on substantially all of our personal property and a significant portion of our owned real property. We also pledged approximately $1.1 billion of inventory assets to the Facility to collateralize potential future borrowings or letters of credit (in addition to the letters of credit already issued under the Facility). As of September 30, 2020 and September 30, 2019, no borrowings and no letters of credit were outstanding under the Facility, resulting in a remaining capacity of $250.0 million. The Facility requires compliance with certain covenants, including negative covenants and financial covenants. As of September 30, 2020, the Company believes it was in compliance with all such covenants.

Senior Unsecured Term Loan

On September 9, 2019, the Company entered into a term loan agreement, which provides for a Senior Unsecured Term Loan (the Term Loan). The principal balance as of September 30, 2020 is $100.0 million. The Term Loan will (1) mature in September 2022, with remaining $50.0 million annual repayment installments due in September 2021 and September 2022; (2) bears interest at a fixed rate of 4.875%; and (3) includes an option to prepay, subject to certain conditions and the payment of certain premiums. The Term Loan contains covenants generally consistent with the covenants contained in the Facility. As of September 30, 2020, the Company believes it was in compliance with all such covenants.

Letter of Credit Facilities

The Company has entered into stand-alone, cash-secured letter of credit agreements with banks to maintain pre-existing letters of credit and to provide for the issuance of new letters of credit (in addition to the letters of credit issued under the Facility). As of September 30, 2020 and September 30, 2019, the Company had letters of credit outstanding under these additional facilities of $12.7 million and $14.1 million, respectively, all of which were secured by cash collateral in restricted accounts. The Company may enter into additional arrangements to provide additional letter of credit capacity.

In May 2018, the Company entered into a reimbursement agreement, which provides for the issuance of performance letters of credit, and an unsecured credit agreement that provides for the issuance of up to $50.0 million of standby letters of credit to backstop the Company's obligations under the reimbursement agreement (collectively, the "Bilateral Facility"). On June 17, 2020, the Company executed an Amendment No. 1 to the Bilateral Facility that extends the termination date of the agreement from June 10, 2021 to June 10, 2022. As of September 30, 2020, the total stated amount of performance letters of credit issued under the reimbursement agreement was $36.1 million (and the stated amount of the backstop standby letter of credit issued under the credit agreement was $40.0 million). The Company may enter into additional arrangements to provide greater letter of credit capacity.

Senior Notes

The Company's Senior Notes are unsecured obligations ranking pari passu with all other existing and future senior indebtedness. Substantially all of the Company's significant subsidiaries are full and unconditional guarantors of the Senior Notes and are jointly and severally liable for obligations under the Senior Notes and the Facility. Each guarantor subsidiary is a 100% owned subsidiary of Beazer Homes.

All unsecured Senior Notes rank equally in right of payment with all existing and future senior unsecured obligations, senior to all of the Company's existing and future subordinated indebtedness and effectively subordinated to the Company's existing and future secured indebtedness, including indebtedness under the Facility, if outstanding, to the extent of the value of the assets securing such indebtedness. The unsecured Senior Notes and related guarantees are structurally subordinated to all indebtedness and other liabilities of all of the Company's subsidiaries that do not guarantee these notes, but are fully and unconditionally guaranteed jointly and severally on a senior basis by the Company's wholly-owned subsidiaries party to each applicable indenture.

The Company's Senior Notes are issued under indentures that contain certain restrictive covenants which, among other things, restrict our ability to pay dividends, repurchase our common stock, incur certain types of additional indebtedness, and make certain investments. Compliance with the Senior Note covenants does not significantly impact the Company's operations. The Company believes it was in compliance with the covenants contained in the indentures of all of its Senior Notes as of September 30, 2020.

We recognized $24.9 million in loss on extinguishment of debt in fiscal 2019 compared to no such charges in fiscal 2020.

For additional redemption features, refer to the table below that summarizes the redemption terms of our Senior Notes:

Senior Note Description	Issuance Date	Maturity Date	Redemption Terms
6 3/4% Senior Notes	March 2017	March 2025	On or prior to March 15, 2020, we may redeem up to 35% of the aggregate principal amount of the 2025 Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 106.750% of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date, provided at least 65% of the aggregate principal amount of the 2025 Notes originally issued remains outstanding immediately after such redemption. Callable at any time prior to March 15, 2020, in whole or in part, at a redemption price equal to 100.000% of the principal amount, plus a customary make-whole premium; on or after March 15, 2020, callable at a redemption price equal to 105.063% of the principal amount; on or after March 15, 2021, callable at a redemption price equal to 103.375% of the principal amount; on or after March 15, 2022, callable at a redemption price equal to 101.688% of the principal amount; on or after March 15, 2023, callable at a redemption price equal to 100.000% of the principal amount, plus, in each case, accrued and unpaid interest
5 7/8% Senior Notes	October 2017	October 2027	On or prior to October 15, 2022, we may redeem up to 35% of the aggregate principal amount of the 2027 Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 105.875% of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date, provided at least 65% of the aggregate principal amount of the 2027 Notes originally issued remains outstanding immediately after such redemption. Callable at any time prior to October 15, 2022, in whole or in part, at a redemption price equal to 100.000% of the principal amount, plus a customary make-whole premium; on or after October 15, 2022, callable at a redemption price equal to 102.938% of the principal amount; on or after October 15, 2023, callable at a redemption price equal to 101.958% of the principal amount; on or after October 15, 2024, callable at a redemption price equal to 100.979% of the principal amount; on or after October 15, 2025, callable at a redemption price equal to 100.000% of the principal amount, plus, in each case, accrued and unpaid interest
7 1/4% Senior Notes	September 2019	October 2029	On or prior to October 15, 2022, we may redeem up to 35% of the aggregate principal amount of the 2029 Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 107.250% of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date, provided at least 65% of the aggregate principal amount of the 2029 Notes originally issued remains outstanding immediately after such redemption. Callable at any time prior to October 15, 2024, in whole or in part, at a redemption price equal to 100.000% of the principal amount, plus a customary make-whole premium; on or after October 15, 2024, callable at a redemption price equal to 103.625% of the principal amount; on or after October 15, 2025, callable at a redemption price equal to 102.417% of the principal amount; on or after October 15, 2026, callable at a redemption price equal to 101.208% of the principal amount; on or after October 15, 2027, callable at a redemption price equal to 100.000% of the principal amount, plus, in each case, accrued and unpaid interest

Junior Subordinated Notes

The Company's unsecured junior subordinated notes (Junior Subordinated Notes) mature on July 30, 2036. The Junior Subordinated Notes are redeemable at par and paid interest at a fixed rate of 7.987% for the first 10 years ending July 30, 2016. The securities now have a floating interest rate as defined in the Junior Subordinated Notes Indenture, which was a weighted-average of 4.25% as of September 30, 2020. The obligations relating to these notes are subordinated to the Facility and the Senior Notes. In January 2010, the Company modified the terms of $75.0 million of these notes and recorded them at their then estimated fair value. Over the remaining life of the Junior Subordinated Notes, we will increase their carrying value until this carrying value equals the face value of the notes. As of September 30, 2020, the unamortized accretion was $32.6 million and will be amortized over the remaining life of the notes. As of September 30, 2020, the Company believes it was in compliance with all covenants under the Junior Subordinated Notes.

(9) Contingencies

Beazer Homes and certain of its subsidiaries have been and continue to be named as defendants in various construction defect claims, complaints, and other legal actions. The Company is subject to the possibility of loss contingencies related to these defects as well as others arising from its business. In determining loss contingencies, we consider the likelihood of loss and our ability to reasonably estimate the amount of such loss. An estimated loss is recorded when it is considered probable that a liability has been incurred and the amount of loss can be reasonably estimated.

Warranty Reserves

We currently provide a limited warranty ranging from one to two years covering workmanship and materials per our defined quality standards. In addition, we provide a limited warranty for up to ten years covering only certain defined structural element failures.

Our homebuilding work is performed by subcontractors who typically must agree to indemnify us with regard to their work and provide certificates of insurance demonstrating that they have met our insurance requirements and have named us as an additional insured under their policies. Therefore, many claims relating to workmanship and materials that result in warranty spending are the primary responsibility of these subcontractors. In addition, we maintain insurance coverage related to our construction efforts that can result in recoveries of warranty and construction defect costs above certain specified limits.

Warranty reserves are included in other liabilities within the consolidated balance sheets, and the provision for warranty accruals is included in home construction expenses in the consolidated statements of operations. Reserves covering anticipated warranty expenses are recorded for each home closed. Management assesses the adequacy of warranty reserves each reporting period based on historical experience and the expected costs to remediate potential claims. Our review includes a quarterly analysis of the historical data and trends in warranty expense by division. Such analysis considers market specific factors such as warranty experience, the number of home closings, the prices of homes, product mix, and other data in estimating warranty reserves. In addition, the analysis also contemplates the existence of any non-recurring or community-specific warranty-related matters that might not be included in historical data and trends. While estimated warranty liabilities are adjusted each reporting period based on the results of our quarterly analyses, we may not accurately predict actual warranty costs, which could lead to significant changes in the reserve.

Changes in warranty reserves are as follows for the periods presented:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Balance at beginning of period	**$ 13,388**	$ 15,331	$ 18,091
Accruals for warranties issued [a]	**10,910**	11,847	13,755
Changes in liability related to warranties existing in prior periods	**(1,352)**	(1,686)	(2,401)
Payments made	**(9,894)**	(12,104)	(14,114)
Balance at end of period	**$ 13,052**	$ 13,388	$ 15,331

[a] Accruals for warranties issued are a function of the number of home closings in the period, the selling prices of the homes closed and the rates of accrual per home estimated as a percentage of the selling price of the home.

Insurance Recoveries

The Company has insurance policies that provide for the reimbursement of certain warranty costs incurred above specified thresholds for each period covered. Amounts recorded for anticipated insurance recoveries are reflected within the consolidated statements of operations as a reduction of home construction expenses. Amounts not yet received from our insurer are recorded on a gross basis, without any reduction for the associated warranty expense, within accounts receivable on our consolidated balance sheets.

Litigation

In the normal course of business, we are subject to various lawsuits. We cannot predict or determine the timing or final outcome of these lawsuits or the effect that any adverse findings or determinations in pending lawsuits may have on us. In addition, an estimate of possible loss or range of loss, if any, cannot presently be made with respect to certain of these pending matters. An unfavorable determination in any of the pending lawsuits could result in the payment by us of substantial monetary damages that may not be fully covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and our Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our financial condition, results of operations, or cash flows.

Claims Related to Inventory Impairment Charges. During the quarter ended March 31, 2019, we recognized inventory impairment charges related to 15 communities in California, all of which were previously land held for future development assets. Related to these inventory impairment charges, on June 5, 2019, a putative class action lawsuit was filed against Beazer Homes USA, Inc. and certain of our officers in the U.S. District Court for the Southern District of New York. The proposed class consisted of all persons and entities that acquired our securities between August 1, 2014 and May 2, 2019. On October 18, 2019, the plaintiffs filed a notice of voluntary dismissal of this case, and the Court subsequently entered an order dismissing the case.

Beginning June 25, 2019, several shareholder derivative lawsuits relating to the same inventory impairment charges discussed above were filed against Beazer Homes USA, Inc., certain of our officers and members of our Board of Directors in the U.S. District Court for the Northern District of Georgia. The plaintiffs in these cases allege breaches of fiduciary duty, unjust enrichment and violations of the federal securities laws. These federal actions have been consolidated into a single derivative action. Additionally, a substantially similar derivative action has been filed in the Superior Court of Fulton County, Georgia. The plaintiffs in each of these actions seek, among other things, monetary damages, disgorgement of profits and attorneys' and experts' fees, but do not specify any specific amounts. On October 25, 2020, the Court granted a motion to dismiss the consolidated federal action but provided the plaintiffs an opportunity to attempt to amend their complaint. We continue to believe the allegations are without merit and intend to continue to vigorously defend against the claims. However, because the outcome of these legal proceedings cannot be predicted with certainty, we have determined that the amount of any possible losses or range of possible losses in connection with these matters is not reasonably estimable.

Other Matters

We and certain of our subsidiaries have been named as defendants in various claims, complaints, and other legal actions, most relating to construction defects, moisture intrusion, and product liability. Certain of the liabilities resulting from these actions are covered in whole or in part by insurance. In our opinion, based on our current assessment, the ultimate resolution of these matters will not have a material adverse effect on our financial condition, results of operations, or cash flows.

We have an accrual of $5.0 million and $3.4 million in other liabilities on our consolidated balance sheets related to litigation and other matters, excluding warranty, as of September 30, 2020 and 2019, respectively.

We had outstanding letters of credit and surety bonds of $48.8 million and $248.2 million, respectively, as of September 30, 2020, related principally to our obligations to local governments to construct roads and other improvements in various developments.

(10) Fair Value Measurements

As of the dates presented, we had assets on our consolidated balance sheets that were required to be measured at fair value on a recurring or non-recurring basis. We use a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly through corroboration with market data; and

- Level 3 – Unobservable inputs that reflect our own estimates about the assumptions market participants would use in pricing the asset or liability.

Certain of our assets are required to be recorded at fair value on a recurring basis. The fair value of our deferred compensation plan assets is based on market-corroborated inputs (Level 2).

Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value of these assets may not be recovered. We review our long-lived assets, including inventory, for recoverability when factors indicate an impairment may exist, but no less than quarterly. Fair value on assets deemed to be impaired is determined based upon the type of asset being evaluated. Fair value of our owned inventory assets, when required to be calculated, is further discussed within Notes 2 and 5. The fair value of our investments in unconsolidated entities is determined primarily using a discounted cash flow model to value the underlying net assets of the respective entities. Due to the substantial use of unobservable inputs in valuing the assets on a non-recurring basis, they are classified within Level 3.

During the fiscal year ended September 30, 2020, we recognized no impairments on projects in process and $1.3 million on land held for sale. During the fiscal year ended September 30, 2019, we recognized impairments of $110.0 million on projects in process and $38.6 million on land held for sale. During the fiscal year ended September 30, 2018, we recognized impairments of $1.0 million on projects in process and $5.9 million on land held for sale.

Determining within which hierarchical level an asset or liability falls requires significant judgment. We evaluate our hierarchy disclosures each quarter.

The following table presents the period-end balances of assets measured at fair value on a recurring basis and the impairment-date fair value of certain assets measured at fair value on a non-recurring basis for each hierarchy level. These balances represent only those assets whose carrying values were adjusted to fair value during the periods presented:

in thousands	Level 1	Level 2	Level 3	Total
As of September 30, 2020				
Deferred compensation plan assets [a]	**$ —**	**$ 2,339**	**$ —**	**$ 2,339**
Land held for sale [b]	**—**	**—**	**6,240 [c]**	**6,240**
As of September 30, 2019				
Deferred compensation plan assets [a]	$ —	$ 1,970	$ —	$ 1,970
Development projects in progress [b]	—	—	84,982 [c]	84,982
Land held for sale [b]	—	—	5,207 [c]	5,207
As of September 30, 2018				
Deferred compensation plan assets [a]	$ —	$ 1,578	$ —	$ 1,578
Development projects in progress [b]	—	—	1,312 [c]	1,312
Land held for sale [b]	—	—	1,724 [c]	1,724
Unconsolidated entity investments	—	—	80	80

[a] Measured at fair value on a recurring basis.

[b] Measured at fair value on a non-recurring basis, including the capitalized interest and indirect costs related to the asset.

[c] Amount represents the impairment-date fair value of the development projects in progress and land held for sale assets that were impaired during the period indicated.

The fair value of cash and cash equivalents, restricted cash, accounts receivable, trade accounts payable, other liabilities, amounts due under the Facility (if outstanding), and other secured notes payable approximate their carrying amounts due to the short maturity of these assets and liabilities. When outstanding, obligations related to consolidated inventory not owned approximate fair value.

The following table presents the carrying value and estimated fair value of certain other financial liabilities as of September 30, 2020 and September 30, 2019:

	As of September 30, 2020		As of September 30, 2019	
in thousands	**Carrying Amount [a]**	**Fair Value**	Carrying Amount [a]	Fair Value
Senior Notes [b]	**$ 1,062,664**	**$ 1,098,117**	$ 1,111,085	$ 1,115,011
Junior Subordinated Notes [c]	**68,137**	**68,137**	66,070	66,070
Total	**$ 1,130,801**	**$ 1,166,254**	$ 1,177,155	$ 1,181,081

[a] Carrying amounts are net of debt issuance costs or accretion.

[b] The estimated fair value for our publicly-held Senior Notes and the Term Loan have been determined using quoted market rates (Level 2).

[c] Since there is no trading market for our Junior Subordinated Notes, the fair value of these notes is estimated by discounting scheduled cash flows through maturity (Level 3). The discount rate is estimated using market rates currently being offered on loans with similar terms and credit quality. Judgment is required in interpreting market data to develop these estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange.

(11) Operating Leases

The Company leases certain office space and equipment under operating leases for use in our operations. We recognize operating lease expense on a straight-line basis over the lease term. Certain of our lease agreements include one or more options to renew. The exercise of lease renewal options is generally at our discretion. Variable lease expense primarily relates to maintenance and other monthly expense that do not depend on an index or rate.

We determine if an arrangement is a lease at contract inception. Lease and non-lease components are accounted for as a single component for all leases. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term, which includes optional renewal periods if we determine it is reasonably certain that the option will be exercised. As our leases do not provide an implicit rate, the discount rate used in the present value calculation represents our incremental borrowing rate determined using information available at the commencement date.

Operating lease expense is included as a component of general and administrative expenses in our consolidated statements of operations. For the fiscal year ended September 30, 2020, we recorded operating lease expense of $4.5 million. Cash payments on lease liabilities during the fiscal year ended September 30, 2020 totaled $4.6 million. Sublease income and variable lease expenses are de minimis. The Company increased both its operating lease ROU asset and operating lease liability by $3.1 million as a result of additional leases that commenced during the fiscal year ended September 30, 2020.

At September 30, 2020, weighted-average remaining lease term and discount rate were as follows:

Weighted-average remaining lease term	**5.1 years**
Weighted-average discount rate	**4.87%**

The following is a maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating lease liabilities as of September 30, 2020:

Fiscal Year Ended September 30,		
in thousands		
2021	**$**	**4,604**
2022		**3,743**
2023		**2,933**
2024		**1,818**
2025		**1,518**
Thereafter		**2,791**
Total lease payments		**17,407**
Less: imputed interest		**2,074**
Total operating lease liabilities	**$**	**15,333**

Under ASC 840, *Leases* (ASC 840), the Company's total rental expense was $5.8 million and $4.8 million for 2019 and 2018, respectively.

At September 30, 2019, under ASC 840, the future minimum rental commitments totaled $20.2 million under non-cancelable operating leases as follows: 2020 - $4.7 million; 2021 - $4.5 million; 2022 - $3.6 million; 2023 - $2.9 million; 2024 - $1.8 million; and $2.6 million thereafter.

(12) Other Liabilities

Other liabilities include the following as of September 30, 2020 and September 30, 2019:

in thousands		**September 30, 2020**		September 30, 2019
Accrued compensations and benefits	**$**	**50,246**	$	36,237
Accrued interest		**23,870**		12,767
Customer deposits		**18,937**		11,539
Accrued warranty expenses		**13,052**		13,388
Litigation accruals		**4,981**		3,420
Income tax liabilities		**584**		648
Other		**24,313**		31,430
Total	**$**	**135,983**	$	109,429

(13) Income Taxes

The Company's expense (benefit) from income taxes from continuing operations consists of the following for the periods presented:

	Fiscal Year Ended September 30,					
in thousands		**2020**		2019		2018
Current federal [(a)]	**$**	**(4,641)**	$	(4,935)	$	57
Current state		**485**		693		512
Deferred federal [(b)]		**20,639**		(31,291)		102,082
Deferred state [(c)]		**1,490**		(1,684)		(8,167)
Total expense (benefit)	**$**	**17,973**	$	(37,217)	$	94,484

[(a)] Fiscal 2020 federal current benefit is primarily driven by the expected refund of our remaining alternative minimum tax credit balance due to the enactment of the CARES Act. Fiscal 2019 federal current benefit is primarily driven by the expected refund of half of our outstanding alternative minimum tax credit that became refundable due to the enactment of the Tax Cuts and Jobs Act. See further discussion below.

[(b)] Fiscal 2018 federal deferred expense is primarily driven by the remeasurement of our deferred tax asset at the newly enacted 21.0% federal tax rate as a result of the Tax Cuts and Jobs Act, partially offset by the release of the remaining valuation allowance on our federal deferred tax assets.

(c) Fiscal 2018 state deferred benefit is primarily driven by the release of valuation allowance in certain operating jurisdictions; refer to discussion below titled "Valuation Allowance."

The expense from income taxes from continuing operations differs from the amount computed by applying the federal income tax statutory rate as follows for the periods presented:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Income tax computed at statutory rate	**$ 14,971**	$ (24,494)	$ 12,112
State income taxes, net of federal benefit	**1,300**	(590)	111
Deferred rate change	**260**	(88)	110,071
Decrease in valuation allowance - other [(a)]	**—**	—	(27,370)
Changes in uncertain tax positions	**(2)**	(7)	598
Permanent differences	**2,177**	2,908	2,133
Tax credits	**(939)**	(14,902)	(3,174)
Other, net	**206**	(44)	3
Total expense (benefit)	**$ 17,973**	$ (37,217)	$ 94,484

(a) For fiscal 2018, amount represents a $27.4 million release of the valuation allowance on our federal and state deferred tax assets; refer to discussion below titled "Valuation Allowance." Due to our fiscal year end and the enactment of the Tax Cuts and Jobs Act, our fiscal 2018 provision was calculated using a blended 24.5% federal tax rate.

The principal differences between our effective tax rate and the U.S. federal statutory rate for fiscals 2020 and 2019 relate to state taxes, permanent differences and tax credits.

We recognized income tax expense from continuing operations of $18.0 million in our fiscal 2020, compared to income tax benefit from continuing operations of $37.2 million in our fiscal 2019 and income tax expense from continuing operations of $94.5 million in our fiscal 2018. The income tax expense in our fiscal 2020 primarily resulted from income generated in the current year and our permanent book/tax differences, partially offset by the generation of additional federal tax credits. The income tax benefit in our fiscal 2019 primarily resulted from the loss generated in the fiscal year and the generation of additional federal tax credits. In fiscal 2018, our income tax expense primarily resulted from income generated in the fiscal year and the remeasurement of our deferred tax asset at a lower 21% federal tax rate, partially offset by the additional release of valuation allowance and the generation of federal tax credits. Due to the effects of changes in our valuation allowance on our deferred tax balance, tax credits and changes in our unrecognized tax benefits, our effective tax rates in fiscal 2020, 2019, and 2018 are not meaningful metrics, as our income tax amounts were not directly correlated to the amount of our pretax income (loss) for those periods.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of our assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant temporary differences that give rise to the net deferred tax assets are as follows as of September 30, 2020 and September 30, 2019:

in thousands	**September 30, 2020**	September 30, 2019
Deferred tax assets:		
Federal and state tax carryforwards	**$ 192,981**	$ 208,360
Inventory adjustments	**34,971**	42,605
Intangible assets	**13,993**	17,209
Incentive compensation	**13,116**	9,360
Warranty and other reserves	**5,503**	4,302
Property, equipment and other assets	**2,197**	2,255
Uncertain tax positions	**723**	729
Other	**844**	623
Total deferred tax assets	**264,328**	285,443
Valuation allowance	**(39,185)**	(38,486)
Net deferred tax assets	**$ 225,143**	$ 246,957

As of September 30, 2020, our gross deferred tax assets above included $120.0 million for federal net operating loss carryforwards, $42.8 million for state net operating loss carryforwards, and $33.6 million for general business credits. The net operating loss carryforwards expire at various dates through 2033, and the general business credits expire at various dates through 2040. The alternative minimum tax credit became a refundable credit when the alternative minimum tax was eliminated with the enactment of the Tax Cuts and Jobs Act on December 22, 2017. For the year-ended September 30, 2019, we recorded our initial refund claim of $4.6 million, or half of our outstanding $9.2 million credit. During fiscal 2020, the enactment of the Coronavirus Aid, Relief and Economic Security (CARES) Act on March 27, 2020 enabled us to claim the entire $9.2 million alternative minimum tax credit with the filing of our fiscal 2019 return and the amount was recorded in our income tax receivable. We experienced an “ownership change” as defined in Section 382 of the Internal Revenue Code (Section 382) as of January 12, 2010. Section 382 contains rules that limit the ability of a company that undergoes an “ownership change” to utilize its net operating loss carryforwards and certain built-in losses or deductions recognized during the five-year period after the ownership change to offset future taxable income. Because the five-year period has expired, we have determined the actual impact and final classification of those amounts, which are properly reflected in the amounts presented above. The actual realization of our deferred tax assets is difficult to predict and is dependent on future events.

Valuation Allowance

A reduction of the carrying amounts of deferred tax assets by a valuation allowance is required if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more-likely-than-not realization threshold criterion. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, the Company's experience with loss carryforwards not expiring unused and tax planning alternatives.

During fiscal 2018, we concluded that it was more likely than not that all of our federal tax attributes and additional portions of our state tax assets would be realized over their remaining recovery periods. This conclusion was based on an evaluation of all relevant evidence, both positive and negative, that would impact our ability to realize our deferred tax assets. The positive evidence included continued improvements in our pre-tax earnings profile, recent acquisitions and community count growth in future years, tax planning strategies, and increases to our future taxable income due to the enactment of the Tax Cuts and Jobs Act. The negative evidence included a number of factors within the homebuilding industry, notably recent market related impacts to costs of production, labor constraints, mortgage interest rate forecasts, and the position of the current housing cycle. We continue to maintain levels of backlog and community count to support our expectations of future profitability. During fiscal 2018, the Company completed its plan to repurchase portions of its outstanding debt, which altered its debt maturity and interest rate profile through new issuances and redemptions of prior issuances. The change in the Company's debt portfolio will create future interest expense savings that further support its estimates of future profitability.

During fiscal 2019, our conclusions on whether we are more likely than not to realize all of our federal tax attributes and certain portions of our state tax attributes remain consistent with our fiscal 2018 determinations. For fiscal 2019, a number of additional positive and negative factors were considered as part of our analysis. The negative factors for fiscal 2019 included current period operating losses, primarily a result of impairments recorded on a number of long held assets in our California submarkets and a loss on debt extinguishment charge in the fourth quarter. The positive factors included a recovery in housing demand throughout the year that resulted in backlog levels consistent with prior year, interest savings from our current year debt repurchases and debt refinance, a new multi-year debt reduction strategy, and additional changes in our taxable income as we continue to account for the changes to the tax code under the Tax Cuts and Jobs Act and the related state impacts.

In fiscal 2020, we analyzed a number of additional positive and negative factors to determine whether we are more likely than not to realize all our federal tax attributes and certain portions of our state tax attributes. The significant positive factors included our current earnings from continuing operations and increased backlog over the prior year, as well as continued interest savings from our current debt reduction strategy. The negative factors for fiscal 2020 generally included uncertainties and long-term impacts to the broader economy as a result of the COVID-19 pandemic. Our fiscal 2020 determinations remain consistent with our fiscal 2018 and 2019 determinations. As of September 30, 2020, the Company will have to cumulatively generate approximately $915.5 million in pre-tax income over the course of its carryforward period to realize its deferred tax assets prior to their expiration, which, as previously discussed, is the Company's fiscal 2040. As we continue to monitor the impacts of the COVID-19 pandemic on our business, any sustained or prolonged reductions in future earnings periods may change our conclusions on whether we are more likely than not to realize portions of our deferred tax assets.

As of September 30, 2020, valuation allowance of $39.2 million remains on various state attributes for which the Company has concluded it is not more likely than not that these attributes would be realized at that time.

Unrecognized Tax Benefits

A reconciliation of our unrecognized tax benefits is as follows for the beginning and end of each period presented:

in thousands	Fiscal Year Ended September 30, 2020	2019	2018
Balance at beginning of year	**$ 3,473**	$ 3,494	$ 3,804
Additions for tax positions related to current year	**—**	—	—
Additions for tax positions related to prior years	**—**	—	—
Reductions in tax positions of prior years	**—**	—	—
Lapse of statute of limitations	**(32)**	(21)	(310)
Balance at end of year	**$ 3,441**	$ 3,473	$ 3,494

If we were to recognize our $3.4 million of gross unrecognized tax benefits remaining as of September 30, 2020, substantially all would impact our effective tax rate. Additionally, we had no accrued interest and penalties as of September 30, 2020 and an immaterial amount of accrued interest and penalties as of September 30, 2019. We record interest and penalties related to unrecognized tax benefits in income tax expense within our consolidated statements of operations.

In the normal course of business, we are subject to audits by federal and state tax authorities regarding various tax liabilities. Certain state income tax returns for various fiscal years are under routine examination. The statute of limitations for our major tax jurisdictions remains open for examination for fiscal years 2007 and subsequent years. As of September 30, 2020, it is reasonably possible that $83 thousand of our uncertain tax positions will reverse within the next twelve months.

(14) Stockholders' Equity

Preferred Stock

The Company currently has no shares of preferred stock outstanding.

Common Stock

As of September 30, 2020, the Company had 63,000,000 shares of common stock authorized and 31,012,326 shares both issued and outstanding.

Common Stock Repurchases

During the first quarter of fiscal 2019, the Company's Board of Directors approved a share repurchase program that authorizes the Company to repurchase up to $50.0 million of its outstanding common stock. As part of this program, the Company has repurchased common stock during fiscal 2019 through open market transactions, 10b5-1 plans, and accelerated share repurchase (ASR) agreements. All shares have been retired upon repurchase during fiscal 2019. The aggregate reduction to stockholders' equity related to share repurchases during the fiscal year ended September 30, 2019 was $34.6 million.

During fiscal 2020, the Company repurchased approximately 362,000 shares of its common stock for $3.3 million at an average price per share of $9.20 during the first half of fiscal 2020 through open market transactions and 10b5-1 plans. All shares have been retired upon repurchase. As of September 30, 2020, the remaining availability of the share repurchase program was $12.0 million.

Dividends

The indentures under which our Senior Notes were issued contain certain restrictive covenants, including limitations on our payment of dividends. There were no dividends paid during our fiscal 2020, 2019, or 2018.

Section 382 Rights Agreement

Prior to fiscal 2019, the Company's stockholders had approved amendments to the Company's Certificate of Incorporation (the Protective Amendment) designed to preserve the value of certain tax assets associated with net operating loss carryforwards under Section 382. In February 2019, the Company's stockholders approved an extension of the term of the Protective Amendment and approved a Section 382 Rights Agreement that was adopted by our Board of Directors. These instruments are intended to act as deterrents to any person or group, together with their affiliates and associates, from being or becoming the beneficial owner of 4.95% or more of the Company's common stock.

(15) Retirement and Deferred Compensation Plans

401(k) Retirement Plan

The Company sponsors a defined-contribution plan that is a tax-qualified retirement plan under section 401(k) of the Internal Revenue Code (the Plan). Substantially all employees are eligible for participation in the Plan. Participants may defer and contribute from 1% to 80% of their salary to the Plan, with certain limitations on highly compensated individuals. The Company matches 50% of the first 6% of the participant's contributions. The participant's contributions vest immediately, while the Company's contributions vest over five years. The total Company contributions for the fiscal years ended September 30, 2020, 2019, and 2018 were approximately $3.4 million, $3.6 million, and $3.3 million, respectively. During fiscal 2020, 2019, and 2018, participants forfeited $1.0 million, $0.7 million, and $0.7 million, respectively, of unvested matching contributions.

Deferred Compensation Plan

The Beazer Homes USA, Inc. Deferred Compensation Plan (the DCP) is a non-qualified deferred compensation plan for a select group of executives and highly compensated employees. The DCP allows the executives to defer current compensation on a pre-tax basis to a future year, until termination of employment. The objectives of the DCP are to assist executives with financial planning and capital accumulation and to provide the Company with a method of attracting, rewarding and retaining executives. Participation in the DCP is voluntary. Beazer Homes may voluntarily make a contribution to the participants' DCP accounts. Deferred compensation assets of $2.3 million and $2.0 million as of September 30, 2020 and 2019, respectively, are included in other assets on our consolidated balance sheets and are recorded at fair value. Deferred compensation liabilities of $5.6 million and $4.9 million as of September 30, 2020 and 2019, respectively, are included in other liabilities on our consolidated balance sheets. For the years ended September 30, 2020, 2019 and 2018, the Company contributed approximately $0.2 million, $0.2 million, and $0.2 million, respectively, to the DCP in the form of voluntary contributions.

(16) Stock-Based Compensation

The Company has shares available for grant under the Amended and Restated 2014 Beazer Homes USA, Inc. Long-Term Incentive Plan (the 2014 Plan). We issue new shares upon the exercise of stock options and the vesting of restricted stock awards. In cases of forfeitures and cancellations, those shares are returned to the share pool for future issuance. As of September 30, 2020, we had approximately 2.7 million shares of common stock for issuance under our various equity incentive plans, of which approximately 2.3 million shares are available for future grants.

Stock-based compensation expense is included in general and administrative expenses in our consolidated statements of operations. Following is a summary of stock-based compensation expense related to stock options and restricted stock awards for the fiscal years ended 2020, 2019, and 2018, respectively.

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Stock options expense	**$ 133**	$ 178	$ 225
Restricted stock awards expense	**9,903**	10,348	10,033
Stock-based compensation expense	**$ 10,036**	$ 10,526	$ 10,258

Stock Options

We have issued stock options to officers and key employees under the 2014 Plan and the 2010 Equity Incentive Plan (the 2010 Plan). Stock options have an exercise price equal to the fair market value of the common stock on the grant date, vest three years after the date of grant, and may be exercised thereafter until their expiration, subject to forfeiture upon termination of employment as provided in the applicable plan. Under certain conditions of retirement, eligible participants may receive a partial vesting of stock options. Stock options generally expire on the seventh or eighth anniversary from the date such options were granted, depending on the terms of the award.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model (Black-Scholes Model). As of September 30, 2020, the intrinsic value of our stock options outstanding, vested or expected to vest in the future, vested and exercisable were $0.2 million, $0.2 million, and $0.1 million, respectively. As of September 30, 2020 and September 30, 2019, there was less than $0.1 million and $0.1 million, respectively, of total unrecognized compensation cost related to unvested stock options. The cost remaining as of September 30, 2020 is expected to be recognized over a weighted-average period of 0.4 years.

During fiscal 2018, the Compensation Committee of our Board of Directors approved the Employee Stock Option Program (ESOP). This program is available to all full-time employees and is designed to enable employees to share in potential price appreciation of the Company's stock. The ESOP matches stock purchases made by eligible employees meeting certain conditions with an option to purchase an additional share of the Company's shares on a one-to-one basis. The exercise price of the options granted is equal to the closing price of the Company's stock on the day the underlying shares are purchased by the employee, which is also the ESOP grant date. The options will vest on the second anniversary of the date of grant but are forfeited if (1) the eligible employee no longer works for the Company or (2) the underlying shares are sold before the two-year vesting period is over. The total number of options available under the ESOP is limited to 100,000, of which 31,732 options were granted through the end of fiscal 2020.

During the year ended September 30, 2020, we issued 950 stock options, all were issued under the ESOP, each for one share of the Company's stock. These stock options typically vest ratably over two years from the date of grant.

We used the following valuation assumptions for stock options granted for the periods presented:

	Fiscal Year Ended September 30,		
	2020	2019	2018
Expected life of options	**5.7 years**	5.0 years	5.0 years
Expected volatility	**51.52 %**	46.69 %	44.71 %
Expected dividends	**—**	—	—
Weighted-average risk-free interest rate	**0.43 %**	2.70 %	2.10 %
Weighted-average fair value	**$ 4.99**	$ 4.50	$ 8.30

We relied upon a combination of the observed exercise behavior of our prior grants with similar characteristics, the vesting schedule of the current grants, and an index of peer companies with similar grant characteristics to determine the expected life of the options granted. We considered historic returns of our stock and the implied volatility of our publicly-traded options in determining expected volatility. We assumed no dividends would be paid since our Board of Directors has suspended payment of dividends indefinitely and payment of dividends is restricted under our Senior Note covenants. The risk-free interest rate is based on the term structure of interest rates at the time of the option grant.

Following is a summary of stock option activity for the periods presented is as follows:

	2020		**2019**		**2018**	
	Shares	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
Outstanding at beginning of period	**523,754**	**$ 14.34**	533,052	$ 14.26	593,753	$ 14.76
Granted	**950**	**10.67**	30,782	10.23	25,230	19.99
Exercised	**(128,921)**	**11.01**	(31,450)	10.00	(8,411)	7.52
Expired	**—**	**—**	—	—	(61,967)	23.19
Forfeited	**(3,318)**	**9.55**	(8,630)	10.45	(15,553)	10.46
Outstanding at end of period	**392,465**	**$ 15.47**	523,754	$ 14.34	533,052	$ 14.26
Exercisable at end of period	**354,796**	**$ 15.90**	470,501	$ 14.42	479,538	$ 14.03
Vested or expected to vest in the future	**391,968**	**$ 15.48**	521,362	$ 14.36	533,052	$ 14.26

The following table summarizes information about stock options outstanding and exercisable as of September 30, 2020:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Price	**Number Outstanding**	**Weighted-Average Contractual Remaining Life (Years)**	**Weighted-Average Exercise Price**	**Number Exercisable**	**Weighted-Average Contractual Remaining Life (Years)**	**Weighted-Average Exercise Price**
$1 - $10	37,433	4.7	$ 8.48	22,571	3.6	$ 7.52
$11 - $15	181,990	1.5	13.27	174,970	1.3	13.34
$16 -$20	173,042	1.7	19.30	165,148	1.5	19.25
$1 - $20	392,465	1.9	$ 15.47	362,689	1.5	$ 15.67

Information pertaining to the intrinsic value of options exercised and the fair market value of options that vested is below:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Intrinsic value of options exercised	**$ 587**	$ 90	$ 76
Fair market value of options vested	**144**	178	296

Restricted Stock Awards

The fair value of each restricted stock award with market conditions is estimated on the date of grant using the Monte Carlo valuation method. The fair value of restricted stock awards without market conditions is based on the market price of the Company's common stock on the date of grant. If applicable, the cash-settled component of any awards granted to employees is accounted for as a liability, which is adjusted to fair value each reporting period until vested.

Compensation cost arising from restricted stock awards granted to employees is recognized as an expense using the straight-line method over the vesting period. As of September 30, 2020 and September 30, 2019, there was $9.0 million and $9.0 million, respectively, of total unrecognized compensation cost related to unvested restricted stock awards. The cost remaining as of September 30, 2020 is expected to be recognized over a weighted-average period of 1.7 years.

We have issued restricted stock awards to officers and key employees under both the 2014 Plan and the 2010 Plan. During fiscal 2020, we issued time-based restricted stock awards and performance-based restricted stock awards with a payout subject to certain performance and market conditions. Each award type is discussed below.

Performance-Based Restricted Stock Awards

During the year ended September 30, 2020, we issued 260,131 shares of performance-based restricted stock (2020 Performance Shares) to our executive officers and certain other employees that also have market conditions. The 2020 Performance Shares are structured to be awarded based on the Company's performance under three pre-determined financial metrics at the end of the three-year performance period. After determining the number of shares earned based on the financial metrics, which can range from 0% to 175% of the targeted number of shares, the award will be subject to further upward or downward adjustment by as much as 20% based on the Company's relative total shareholder return (TSR) compared against the S&P Homebuilders Select Industry Index during the three-year performance period. The 2020 Performance Shares were valued using the Monte Carlo valuation model due to the existence of the TSR market condition and had an estimated fair value of $16.98 per share on the date of grant.

A Monte Carlo valuation model requires the following inputs: (1) the expected dividend yield on the underlying stock; (2) the expected price volatility of the underlying stock; (3) the risk-free interest rate for the period corresponding with the expected term of the award; and (4) the fair value of the underlying stock. For the Company and each member of the peer group, the following inputs were used, as applicable, in the Monte Carlo valuation model to determine the fair value as of the grant date for performance-based restricted stock granted in each of the fiscal years ended. The methodology used to determine these assumptions is similar to the Black-Scholes Model; however, the expected term is determined by the model in the Monte Carlo simulation.

	Fiscal Year Ended September 30,		
	2020	2019	2018
Expected volatility	**21.2% - 54.8%**	21.0% - 57.1%	21.1% - 61.2%
Risk-free interest rate	**1.61 %**	2.92 %	1.81 %
Dividend yield	**—**	—	—
Grant-date stock price	**$ 15.62**	$ 9.82	$ 20.50

Each performance share represents a contingent right to receive one share of the Company's common stock if vesting is satisfied at the end of the three-year performance period. Our performance stock award plans provide that any performance shares earned in excess of the target number of performance shares issued may be settled in cash or additional shares at the discretion of the Compensation Committee. In November 2019, we cash settled 135,337 shares earned above target level based on the performance level achieved under our 2017 performance-based award plan. The cash payment totaled $2.1 million, which was reflected as a reduction to paid-in capital in the accompanying condensed consolidated statements of stockholders' equity. We have not cash settled any such performance-based awards prior to or subsequent to the November 2019 transaction, and we have no current plans to cash settle any additional performance-based restricted shares in the future.

The performance criteria of the 2018 Performance Share grant were satisfied as of September 30, 2020. Based on the actual performance level achieved, 222,165 performance-based restricted stock awards from the 2018 Performance Share grant will cliff vest at the end of the three-year vesting period on November 16, 2020. Of the total $6.3 million compensation cost related to these awards, we have recognized $2.6 million, $2.3 million, and $1.1 million during the fiscal years ended September 30, 2020, 2019, and 2018, respectively. The remaining $0.3 million of unrecognized compensation cost will be recognized in the first quarter of fiscal 2021.

Time-Based Restricted Stock Awards

During the year ended September 30, 2020, we also issued 327,571 shares of time-based restricted stock (Restricted Shares) to our directors, executive officers, and certain other employees. Restricted Shares are valued based on the market price of the Company's common stock on the date of the grant. The Restricted Shares granted to our non-employee directors vest on the first anniversary of the grant, while the Restricted Shares granted to our executive officers and other employees generally vest ratably over three years from the date of grant.

Activity relating to all restricted stock awards for the periods presented is as follows:

	Year Ended September 30, 2020					
	Performance-Based		Time-Based		Total	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Beginning of period	**778,814**	**$ 13.60**	**611,607**	**$ 12.11**	**1,390,421**	**$ 16.53**
Granted	**260,131**	**16.98**	**327,571**	**15.29**	**587,702**	**16.04**
Vested	**(242,921)**	**13.60**	**(302,255)**	**11.89**	**(545,176)**	**12.65**
Forfeited	**—**	**—**	**(26,793)**	**13.79**	**(26,793)**	**13.79**
End of period	**796,024**	**$ 14.71**	**610,130**	**$ 13.85**	**1,406,154**	**$ 14.34**

	Year Ended September 30, 2019					
	Performance-Based		Time-Based		Total	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Beginning of period	644,785	$ 16.47	431,783	$ 16.60	1,076,568	$ 16.53
Granted [(a)]	467,819	9.95	448,657	9.82	916,476	9.89
Vested [(a)]	(321,833)	15.36	(212,558)	16.41	(534,391)	15.78
Forfeited	(11,957)	13.44	(56,275)	12.20	(68,232)	12.42
End of period	778,814	$ 13.60	611,607	$ 12.11	1,390,421	$ 16.53

[(a)] Grant and vesting activity during the twelve months ended September 30, 2019 include 86,050 shares that were issued above target based on performance level achieved under performance-based restricted stock vesting in the current period.

	Year Ended September 30, 2018					
	Performance-Based		Time-Based		Total	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Beginning of period	668,766	$ 15.72	872,181	$ 16.47	1,540,947	$ 16.15
Granted	165,085	22.40	277,165	18.98	442,250	20.26
Vested	—	—	(690,922)	17.38	(690,922)	17.38
Forfeited	(189,066)	18.98	(26,641)	17.02	(215,707)	18.74
End of period	644,785	$ 16.47	431,783	$ 16.60	1,076,568	$ 16.53

(17) Earnings Per Share

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares outstanding during the period. Diluted income (loss) per share adjusts the basic income (loss) per share for the effects of any potentially dilutive securities in periods in which the Company has net income and such effects are dilutive under the treasury stock method.

Following is a summary of the components of basic and diluted income (loss) per share for the periods presented:

	Fiscal Year Ended September 30,		
in thousands, except per share data	**2020**	2019	2018
Numerator:			
Income (loss) from continuing operations	**$ 53,316**	$ (79,421)	$ (45,046)
Loss from discontinued operations, net of tax	**(1,090)**	(99)	(329)
Net income (loss)	**$ 52,226**	$ (79,520)	$ (45,375)
Denominator:			
Basic weighted-average shares	**29,704**	30,617	32,141
Dilutive effect of restricted stock awards	**229**	—	—
Dilutive effect of stock options	**15**	—	—
Diluted weighted-average shares [(a)]	**29,948**	30,617	32,141
Basic income (loss) per share:			
Continuing operations	**$ 1.80**	$ (2.59)	$ (1.40)
Discontinued operations	**(0.04)**	(0.01)	(0.01)
Total	**$ 1.76**	$ (2.60)	$ (1.41)
Diluted income (loss) per share:			
Continuing operations	**$ 1.78**	$ (2.59)	$ (1.40)
Discontinued operations	**(0.04)**	(0.01)	(0.01)
Total	**$ 1.74**	$ (2.60)	$ (1.41)

[(a)] The following potentially dilutive shares were excluded from the calculation of diluted income (loss) per share as a result of their anti-dilutive effect. Due to the reported net losses for the years ended September 30, 2019 and 2018, all common stock equivalents were excluded from the computation of diluted loss per share for fiscal years 2019 and 2018 because inclusion would have resulted in anti-dilution.

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Stock options	**375**	524	533
Time-based restricted stock	**46**	612	432
Performance-based restricted stock	**—**	779	645

(18) Segment Information

We currently operate in 13 states that are grouped into three homebuilding segments based on geography. Revenues from our homebuilding segments are derived from the sale of homes that we construct and from land and lot sales. Our reportable segments have been determined on a basis that is used internally by management for evaluating segment performance and resource allocations. We have considered the applicable aggregation criteria, and have combined our homebuilding operations into three reportable segments as follows:

West: Arizona, California, Nevada, and Texas

East: Delaware, Indiana, Maryland, New Jersey[a], Tennessee, and Virginia

Southeast: Florida, Georgia, North Carolina, and South Carolina

[a] During fiscal 2015, we made the decision that we would not continue to reinvest in new homebuilding assets in our New Jersey division; therefore, it is no longer considered an active operation. However, it is included in this listing because the segment information below continues to include New Jersey.

Management's evaluation of segment performance is based on segment operating income (loss). Operating income (loss) for our homebuilding segments is defined as homebuilding and land sales and other revenue less home construction, land development and land sales expense, commission expense, depreciation and amortization, and certain G&A expenses that are incurred by or allocated to our homebuilding segments. The accounting policies of our segments are those described in Note 2.

The following tables contain our revenue, operating income (loss), and depreciation and amortization by segment for the periods presented:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Revenue			
West	**$ 1,183,339**	$ 1,014,702	$ 1,014,803
East	**477,624**	514,961	524,563
Southeast	**466,114**	558,076	567,767
Total revenue	**$ 2,127,077**	$ 2,087,739	$ 2,107,133

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Operating income (loss) [a]			
West	**$ 161,786**	$ (5,492)	$ 142,310
East	**56,319**	51,576	57,372
Southeast	**40,746**	40,165	45,950
Segment total	**258,851**	86,249	245,632
Corporate and unallocated [b]	**(179,744)**	(176,145)	(164,084)
Total operating income (loss)	**$ 79,107**	$ (89,896)	$ 81,548

[a] Operating income (loss) is impacted by impairment and abandonment charges incurred during the periods presented (see Note 5 for further information). For the year ended September 30, 2020, September 30, 2019, and September 30, 2018, we recognized $1.7 million, $131.7 million and $4.2 million of inventory impairment and abandonment charges, respectively, at our three reportable segments.

[b] Corporate and unallocated operating loss includes amortization of capitalized interest, movement in capitalized indirect costs, expenses related to numerous shared services functions that benefit all segments but are not allocated to the operating segments reported above, including information technology, treasury, corporate finance, legal, branding and national marketing, and other amounts that are not allocated to our operating segments. For the year ended September 30, 2020, September 30, 2019, and September 30, 2018, we wrote off $1.2 million, $16.9 million, and $2.3 million of capitalized interest and capitalized indirect costs, respectively (see Note 5 for further information).

in thousands	Fiscal Year Ended September 30, 2020	2019	2018
Depreciation and amortization			
West	**$ 8,227**	$ 6,456	$ 7,062
East	**2,458**	3,250	2,619
Southeast	**2,857**	3,455	3,053
Segment total	**13,542**	13,161	12,734
Corporate and unallocated [a]	**2,098**	1,598	1,073
Total depreciation and amortization	**$ 15,640**	$ 14,759	$ 13,807

[a] Corporate and unallocated depreciation and amortization represents depreciation and amortization related to assets held by our corporate functions that benefit all segments.

The following table presents capital expenditures by segment for the periods presented:

in thousands	Fiscal Year Ended September 30, 2020	2019	2018
Capital Expenditures			
West	**$ 5,063**	$ 11,635	$ 8,152
East	**2,237**	2,518	2,234
Southeast	**2,985**	3,086	3,112
Corporate and unallocated	**357**	4,117	3,522
Total capital expenditures	**$ 10,642**	$ 21,356	$ 17,020

The following table presents assets by segment as of September 30, 2020 and 2019:

in thousands	September 30, 2020	September 30, 2019
Assets		
West	**$ 658,909**	$ 751,110
East	**267,050**	286,340
Southeast	**301,827**	359,431
Corporate and unallocated [a]	**779,694**	560,763
Total assets	**$ 2,007,480**	$ 1,957,644

[a] Corporate and unallocated total assets primarily consists of cash and cash equivalents, restricted cash, deferred taxes, capitalized interest and indirect costs, and other items that are not allocated to the segments.

(19) Discontinued Operations

We continually review each of our markets in order to refine our overall investment strategy and to optimize capital and resource allocations in an effort to enhance our financial position and to increase stockholder value. This review entails an evaluation of both external market factors and our position in each market, and over time has resulted in the decision to discontinue certain of our homebuilding operations. During our fiscal 2015, we made the decision that we would not continue to reinvest in new homebuilding assets in our New Jersey division; therefore, it is no longer considered an active operation. However, the results of our New Jersey division are not included in the discontinued operations information shown below.

We have classified the results of operations of our discontinued operations separately in the accompanying consolidated statements of operations for all periods presented. There were no material assets or liabilities related to our discontinued operations as of September 30, 2020 or September 30, 2019. Discontinued operations were not segregated in the consolidated statements of cash flows. Therefore, amounts for certain captions in the consolidated statements of cash flows will not agree with the respective data in the consolidated statements of operations. The results of our discontinued operations in the consolidated statements of operations for the periods presented were as follows:

	Fiscal Year Ended September 30,		
in thousands	**2020**	2019	2018
Total revenue	**$ —**	$ 55	$ 633
Home construction and land sales expenses [a]	**1,245**	61	612
Inventory impairments and abandonments	**—**	—	450
Gross loss	**(1,245)**	(6)	(429)
General and administrative expenses	**173**	125	101
Operating loss	**(1,418)**	(131)	(530)
Equity in (loss) income of unconsolidated entities	**—**	(1)	93
Other income (expense), net	**19**	5	(4)
Loss from discontinued operations before income taxes	**(1,399)**	(127)	(441)
Benefit from income taxes	**(309)**	(28)	(112)
Loss from discontinued operations, net of tax	**$ (1,090)**	$ (99)	$ (329)

[a] Home construction and land sales expenses for the year ended September 30, 2020 include a $1.3 million litigation settlement accrual relating to a case regarding alleged past construction defects in our discontinued operations.

(20) Selected Quarterly Financial Data (Unaudited)

Selected summarized quarterly financial information is as follows for the periods presented:

in thousands, except per share data	Quarter Ended			
Fiscal 2020	**December 31**	**March 31**	**June 30**	**September 30**
Total revenue	**$ 417,804**	**$ 489,413**	**$ 533,112**	**$ 686,748**
Gross profit [a]	**63,137**	**78,845**	**89,058**	**116,600**
Operating income	**3,946**	**16,424**	**23,151**	**35,586**
Net income from continuing operations [b]	**2,804**	**10,615**	**15,270**	**24,627**
Basic EPS from continuing operations [c]	**$ 0.09**	**$ 0.36**	**$ 0.51**	**$ 0.83**
Diluted EPS from continuing operations [c]	**$ 0.09**	**$ 0.35**	**$ 0.51**	**$ 0.82**
Fiscal 2019				
Total revenue	$ 402,040	$ 421,260	$ 482,738	$ 781,701
Gross profit (loss)[a]	60,655	(82,680)	71,764	116,297
Operating income (loss)	3,506	(138,950)	9,543	36,005
Net income (loss) from continuing operations [b]	7,322	(100,832)	11,625	2,464
Basic EPS from continuing operations [c]	$ 0.23	$ (3.28)	$ 0.38	$ 0.08
Diluted EPS from continuing operations [c]	$ 0.23	$ (3.28)	$ 0.38	$ 0.08

[a] Gross profit (loss) in fiscal 2020 and 2019 includes inventory impairment and abandonments as follows:

in thousands	**Fiscal 2020**	Fiscal 2019
1st Quarter	**$ —**	$ 1,007
2nd Quarter	**—**	147,611
3rd Quarter	**2,266**	—
4th Quarter	**637**	—
	$ 2,903	$ 148,618

[b] Net income (loss) from continuing operations in fiscal 2020 and 2019 includes gain (loss) on extinguishment of debt as follows:

in thousands	**Fiscal 2020**	Fiscal 2019
1st Quarter	**$ —**	$ —
2nd Quarter	**—**	216
3rd Quarter	**—**	358
4th Quarter	**—**	(25,494)
	$ —	$ (24,920)

[c] Amounts shown above for EPS for the quarterly periods are calculated separately from the full fiscal year amounts. Accordingly, quarterly amounts will not add to the respective annual amount.

(21) Subsequent Events

On October 8, 2020, the Company executed a Ninth Amendment to the Facility. The Ninth Amendment (1) extended the termination date of the Facility from February 15, 2022 to February 15, 2023; (2) permits the maximum aggregate amount of commitments under the Credit Agreement to be increased to up to $300.0 million pursuant to one or more additional incremental increases, subject to the approval of any lenders providing such increases; and (3) revises the minimum liquidity covenant such that if the interest coverage ratio is greater than or equal to 1.00 to 1.00 and the housing collateral ratio is greater than or equal to 1.75 to 1.00, the Company is required to maintain minimum liquidity of $50.0 million; and in all other cases, the Company is required to maintain minimum liquidity of $100.0 million.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Beazer Homes USA, Inc. and subsidiaries (the "Company") as of September 30, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows, for each of the three years in the period ended September 30, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 12, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
November 12, 2020

We have served as the Company's auditor since 1996.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Beazer Homes USA, Inc. and subsidiaries (the "Company") as of September 30, 2020, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended September 30, 2020, of the Company and our report dated November 12, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
November 12, 2020

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2020 pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (Exchange Act). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for the preparation and fair presentation of the consolidated financial statements included in this Annual Report on Form 10-K. The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and reflect management’s judgments and estimates concerning events and transactions that are accounted for or disclosed.

Our management is also responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company’s internal control over financial reporting is a process designed under the supervision of our CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with U.S. GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2020. Management’s assessment was based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this assessment, management concluded that the Company has maintained effective internal control over financial reporting as of September 30, 2020. The effectiveness of our internal control over financial reporting as of September 30, 2020 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in their report, which is included in Part II, Item 8 – Financial Statements and Supplementary Data.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers

The information required by this item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders, which is expected to be filed on or before December 15, 2020.

Code of Ethics

Beazer Homes has adopted a Code of Business Conduct and Ethics (the “Code”) that applies to its principal executive officer, principal financial officer, principal accounting officer, and other senior financial officers. In November 2019, the Company’s Board of Directors amended the Code. The full text of the Code, as amended, can be found on the Company’s website at www.beazer.com. If at any time there is an amendment or waiver of any provision of the Code that is required to be disclosed, information regarding such amendment or waiver will be published on the Company’s website.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders, which is expected to be filed on or before December 15, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information relating to securities authorized for issuance under equity compensation plans is set forth above in Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. All of the other information required by this item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders, which is expected to be filed on or before December 15, 2020.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders, which is expected to be filed on or before December 15, 2020.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders, which is expected to be filed on or before December 15, 2020.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K.

(a) 1. Financial Statements

2. Financial Statement Schedules

None required.

3. Exhibits

All exhibits were filed under File No. 001-12822, except as otherwise indicated below.

Exhibit Number		Exhibit Description
3.1	—	Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-K for the year ended September 30, 2008)
3.2	—	Certificate of Amendment, dated April 13, 2010, to the Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended March 31, 2010)
3.3	—	Certificate of Amendment, dated February 3, 2011, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on February 8, 2011)
3.4	—	Certificate of Amendment, dated October 11, 2012, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on October 12, 2012)
3.5	—	Certificate of Amendment, dated February 2, 2013, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on February 5, 2013)
3.6	—	Certificate of Amendment, dated November 6, 2013, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on November 7, 2013)
3.7	—	Certificate of Amendment, dated November 11, 2016, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.8 of the Company's Form 10-K for the year ended September 30, 2016)
3.8	—	Certificate of Amendment, dated as of November 8, 2019, and effective as of November 12, 2019, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.8 of the Company's Form 10-K for the year ended September 30, 2019)
3.9	—	Fourth Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.3 of the Company's Form 10-K for the year ended September 30, 2010)
4.1	—	Specimen Physical Common Stock Certificate of Beazer Homes USA, Inc. (incorporated herein by reference to Exhibit 4.1 of the Company's Form 10-K filed on November 10, 2015)
4.2	—	Indenture, dated as of April 17, 2002 among the Company, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee (incorporated herein by reference to Exhibit 4.11 of the Company's Registration Statement on Form S-4 filed on July 16, 2002)

4.3	—	Seventh Supplemental Indenture, dated January 9, 2006, to the Indenture dated as of April 17, 2002 (incorporated herein by referenced to Exhibit 99.2 of the Company’s Form 8-K filed on January 17, 2006)
4.4	—	Reserved.
4.5	—	Reserved.
4.6	—	Form of Junior Subordinated Indenture, dated June 15, 2006, between the Company and JPMorgan Chase Bank, National Association (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on June 21, 2006)
4.7	—	Form of Amended and Restated Trust Agreement, dated June 15, 2006, among the Company, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association, and certain individuals named therein as Administrative Trustees (incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on June 21, 2006)
4.8	—	Ninth Supplemental Indenture, dated October 26, 2007, amending and supplementing the Indenture dated April 17, 2002, by and among Beazer Homes USA, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 10.3 of the Company's Form 8-K filed on October 30, 2007)
4.9	—	Junior Subordinated Indenture between Beazer Homes USA, Inc. and Wilmington Trust Company, as trustee, dated as of January 15, 2010 (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K dated January 21, 2010)
4.10	—	Reserved.
4.11	—	Fifteenth Supplemental Indenture, dated July 22, 2011, to the Indenture dated April 17, 2002, between the Company and U.S. Bank National Association, as trustee, amending and supplementing the Thirteenth Supplemental Indenture, dated May 20, 2010, and the Fourteenth Supplemental Indenture, dated November 12, 2010 (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 2011)
4.12	—	Reserved.
4.15	—	Indenture, dated as of October 10, 2017, between the Company, the Guarantors and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company’s Form 8-K filed on October 10, 2017)
4.16	—	Form of 5.875% Senior Note due 2027 (incorporated herein by reference to Exhibit 4.2 of the Company’s Form 8-K filed on October 10, 2017)
4.17	—	Registration Rights Agreement, dated as of October 10, 2017, between the Company, the Guarantors and Credit Suisse Securities (USA) LLC, as representative of the Initial Purchasers (incorporated herein by reference to Exhibit 4.3 of the Company’s Form 8-K filed on October 10, 2017)
4.18	—	Section 382 Rights Agreement, dated as of November 6, 2019, and effective as of November 14, 2019, between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent (incorporated herein by reference to Exhibit 4.18 of the Company's Form 10-K for the year ended September 30, 2019)
4.19	—	Seventeenth Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.2(i) to the Company’s Form S-4 filed on June 10, 2014 (File No. 333-196637))
4.20	—	Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee, related to the Company’s 6.625% Senior Secured Notes due 2018 (incorporated herein by reference to Exhibit 4.5(c) to the Company’s Form S-4 filed on June 10, 2014 (File No. 333-196637))
4.21	—	Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee, related to the Company’s 7.250% Senior Notes due 2023 (incorporated herein by reference to Exhibit 4.6(c) to the Company’s Form S-4 filed on June 10, 2014 (File No. 333-196637))
4.22	—	Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee, related to the Company’s 7.500% Senior Notes due 2021 (incorporated herein by reference to Exhibit 4.7(c) to the Company’s Form S-4 filed on June 10, 2014 (File No. 333-196637))
4.23	—	Reserved.
4.24	—	Reserved.
4.25	—	Reserved.
4.31	—	Indenture for 6.750% Senior Notes due 2025, dated March 14, 2017, by and among the Company, the Guarantors and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company’s Form 8-K filed on March 15, 2017)

4.32	—	Form of 6.750% Senior Note due 2025 (incorporated by reference to Exhibit 4.2 of the Company’s Form 8-K filed on March 15, 2017)
4.33	—	Registration Rights Agreement, dated as of March 14, 2017, by and among the Company, the Guarantors and Credit Suisse Securities (USA) LLC, as representatives of the Initial Purchasers (incorporated herein by reference to Exhibit 4.3 of the Company’s Form 8-K filed March 15, 2017)
4.34	—	Indenture for 7.250% Senior Notes due 2029, dated as of September 24, 2019, by and among the Company, the Guarantors and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on September 24, 2019)
4.35	—	Form of 7.250% Senior Note due 2029 (incorporated herein by reference to Exhibit 4.2 of the Company's 8-K filed on September 24, 2019)
4.36	—	Registration Rights Agreement, dated as of September 24, 2019, by and among the Company, the Guarantors and Credit Suisse Securities (USA) LLC, as representative of the Initial Purchasers (incorporated herein by reference to Exhibit 4.3 of the Company's Form 8-K filed on September 24, 2019)
4.37	—	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1*	—	Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K for the year ended September 30, 2003)
10.2*	—	Amended and Restated 1999 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 2008)
10.3*	—	Second Amended and Restated Corporate Management Stock Purchase Program (incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-K for the year ended September 30, 2007)
10.4*	—	Director Stock Purchase Program (incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-K for the year ended September 30, 2004)
10.5*	—	Form of Stock Option and Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.8 of the Company's Form 10-K for the year ended September 30, 2004)
10.6*	—	Form of Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.9 of the Company's Form 10-K for the year ended September 30, 2004)
10.7*	—	Form of Amended and Restated 1999 Stock Incentive Plan Award Agreement for Performance Share Awards, dated as of February 2, 2006 (incorporated herein by reference to Exhibit 10.18 of the Company's Form 10-Q for the quarter ended March 31, 2006)
10.8*	—	Form of Amended and Restated 1999 Stock Incentive Plan Award Agreement for Option and Restricted Stock Awards, dated as of February 2, 2006 (incorporated herein by reference to Exhibit 10.19 of the Company's Form 10-Q for the quarter ended March 31, 2006)
10.9*	—	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on July 1, 2008)
10.10*	—	2008 Beazer Homes USA, Inc. Deferred Compensation Plan, adopted effective January 1, 2008 (incorporated herein by reference to Exhibit 10.27 of the Company's Form 10-K for the fiscal year ended September 30, 2007)
10.11*	—	Discretionary Employee Bonus Plan (incorporated herein by reference to Exhibit 10.28 of the Company's Form 10-K for the fiscal year ended September 30, 2007)
10.12*	—	2010 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended March 31, 2010)
10.13*	—	Form of 2010 Equity Incentive Plan Employee Award Agreement for Option and Restricted Stock Awards (incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2010)
10.14*	—	Form of 2010 Equity Incentive Plan Award Agreement for Option and Restricted Stock Awards (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 2010)
10.15*	—	Form of 2010 Equity Incentive Plan Award Agreement for Option and Restricted Stock Awards (Named Executive Officers) dated as of November 16, 2011 (incorporated herein by reference to Exhibit 10.1 of the Company's 8-K filed on November 22, 2011)
10.16*	—	Form of 2010 Equity Incentive Plan Performance Cash Award Agreement (Named Executive Officers) (incorporated herein by reference to Exhibit 10.1 of the Company's 10-Q for the quarter ended December 31, 2012)
10.17*	—	2014 Long-Term Incentive Plan, as amended (incorporated herein by reference to Appendix I of the Company’s Form DEF 14A filed on December 19, 2016)
10.18*	—	Reserved.

10.19*	—	Reserved.
10.20*	—	Reserved.
10.21*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Restricted Stock Awards (Named Executive Officers) (incorporated herein by reference to Exhibit 10.21 of the Company’s Form 10-K filed on November 13, 2014)
10.22*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for TSR Performance Share Awards (Named Executive Officers) (incorporated herein by reference to Exhibit 10.22 of the Company’s Form 10-K filed on November 13, 2014)
10.23*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Pre-Tax Income Performance Share Awards (Named Executive Officers) (incorporated herein by reference to Exhibit 10.23 of the Company’s Form 10-K filed on November 13, 2014)
10.24*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Restricted Stock Awards (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.24 of the Company’s Form 10-K filed on November 13, 2014)
10.25*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Performance Shares (Named Executive Officers) (incorporated herein by reference to Exhibit 10.1 of the Company’s Form 10-Q filed on February 4, 2016)
10.26*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Performance Shares (Named Executive Officers) (incorporated herein by reference to Exhibit 10.26 of the Company's Form 10-K filed on November 14, 2017)
10.27*	—	Severance and Change In Control Agreement by and between Allan P. Merrill and the Company, effective as of September 18, 2018 (incorporated herein by reference to Exhibit 10.1 of the Company’s Form 8-K filed on September 24, 2018)
10.28*	—	Severance and Change In Control Agreement by and between Robert L. Salomon and the Company, effective as of September 18, 2018 (incorporated herein by reference to Exhibit 10.2 of the Company’s Form 8-K filed on September 24, 2018)
10.29*	—	Severance and Change In Control Agreement by and between Keith L. Belknap and the Company, effective as of September 18, 2018 (incorporated herein by reference to Exhibit 10.29 of the Company's Form 10-K filed on November 13, 2018)
10.30	—	Delayed-Draw Term Loan Facility, dated November 16, 2010, among Beazer Homes USA, Inc., Citibank, N.A. and Citigroup Global Markets Inc. (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on November 18, 2010)
10.31	—	Delayed-Draw Term Loan Facility, dated November 16, 2010, among Beazer Homes USA, Inc., Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed on November 18, 2010)
10.32	—	First Amendment to the Delayed-Draw Term Loan Facility, dated as of November 16, 2010, by and between Beazer Homes USA, Inc. and Citibank, N.A. (incorporated herein by reference to Exhibit 10.2 of the Company's 8-K filed on August 9, 2012)
10.33	—	First Amendment to the Delayed-Draw Term Loan Facility, dated as of November 16, 2010, by and between Beazer Homes USA, Inc. and Deutsche Bank AG Cayman Islands Branch (incorporated herein by reference to Exhibit 10.3 of the Company's 8-K filed on August 9, 2012)
10.34	—	Second Amended and Restated Credit Agreement, dated as of September 24, 2012, between Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent (incorporated herein by reference to Exhibit 10.1 of the Company's 8-K filed on September 26, 2012)
10.35	—	First Amendment to Second Amended and Restated Credit Agreement, dated as of November 10, 2014, between Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent (incorporated herein by reference to Exhibit 10.33 of the Company’s Form 10-K filed on November 13, 2014)
10.36	—	Second Amendment to Second Amended and Restated Credit Agreement, dated as of November 6, 2015, between Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent (incorporated herein by reference to Exhibit 10.34 of the Company’s 10-K filed on November 10, 2015)
10.37	—	Credit Agreement, dated March 11, 2016, by and between Beazer Homes USA, Inc. and Wilmington Trust (incorporated herein by reference to Exhibit 10.1 of the Company’s Form 8-K filed on March 11, 2016)
10.38	—	Third Amendment to Second Amended and Restated Credit Agreement, dated as of October 13, 2016, by and among Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch (incorporated herein by reference to Exhibit 10.1 of the Company’s Form 8-K filed October 13, 2016)

10.39	—	Fourth Amendment to the Second Amended and Restated Credit Agreement, dated as of September 24, 2012, among the Company, as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent, as amended (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 24, 2017)
10.40	—	Fifth Amendment to the Second Amended and Restated Credit Agreement, dated as of September 24, 2012, among the Company, as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent, as amended (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 5, 2018)
10.41	—	Sixth Amendment to the Second Amended and Restated Credit Agreement, dated as of September 24, 2012, among the Company, as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent, as amended (incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q filed on May 2, 2019)
10.42	—	Seventh Amendment to the Second Amended and Restated Credit Agreement, dated as of September 24, 2012, among the Company, as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent, as amended (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on September 10, 2019)
10.43	—	Term Loan Agreement, dated as of September 9, 2019, by and among the Company, the subsidiaries of the Company as guarantors thereto, and Credit Suisse International, as lender (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed on September 10, 2019)
10.44	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Performance Shares (Named Executive Officers) (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended December 31, 2017)
10.45	—	Eighth Amendment to the Second Amended and Restated Credit Agreement, dated as of September 24, 2012, among the Company, as borrower, the lenders and issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, acting as agent, as amended (incorporated herein by reference to Exhibit 10.45 of the Company's Form 10-Q filed on April 4, 2020)
10.46*	—	Amended and Restated 2014 Long-Term Incentive Plan (incorporated herein by reference to Appendix I of the Company's Form DEF 14A filed on December 20, 2019)
10.47	—	Ninth Amendment to the Second Amended and Restated Credit Agreement, dated as of September 24, 2012, among the Company, as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent, as amended (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 13, 2020)
21	—	Subsidiaries of the Company
22	—	List of Guarantor Subsidiaries (incorporated herein by reference to Exhibit 22 of the Company's Form 10-Q for the quarter ended June 30, 2020)
23	—	Consent of Deloitte & Touche LLP
31.1	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	—	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	—	Inline XBRL Taxonomy Extension Schema Document
101.CAL	—	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	—	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	—	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	—	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	—	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Represents a management contract or compensatory plan or arrangement.

(b) Exhibits

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

4.37	—	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
21	—	Subsidiaries of the Company
23	—	Consent of Deloitte & Touche LLP
31.1	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	—	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	—	Inline XBRL Taxonomy Extension Schema Document
101.CAL	—	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	—	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	—	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	—	Inline XBRL Taxonomy Extension Definition Linkbase Document
104		Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(c) Financial Statement Schedules

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

SIGNATURES

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

Date:	November 12, 2020	Beazer Homes USA, Inc.		
		By:		/s/ Allan P. Merrill
			Name:	**Allan P. Merrill**
				Chairman, President and Chief Executive Officer

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.

Date:	November 12, 2020	By:		/s/ Allan P. Merrill
			Name:	**Allan P. Merrill**
				Chairman, President, Chief Executive Officer and Director
Date:	November 12, 2020	By:		/s/ Robert L. Salomon
			Name:	**Robert L. Salomon**
				Executive Vice President and Chief Financial Officer
Date:	November 12, 2020	By:		/s/ Elizabeth S. Acton
			Name:	**Elizabeth S. Acton**
				Director
Date:	November 12, 2020	By:		/s/ Laurent Alpert
			Name:	**Laurent Alpert**
				Director
Date:	November 12, 2020	By:		/s/ Peter M. Orser
			Name:	**Peter M. Orser**
				Director
Date:	November 12, 2020	By:		/s/ Norma A. Provencio
			Name:	**Norma A. Provencio**
				Director
Date:	November 12, 2020	By:		/s/ Danny R. Shepherd
			Name:	**Danny R. Shepherd**
				Director
Date:	November 12, 2020	By:		/s/ David J. Spitz
			Name:	**David J. Spitz**
				Director
Date:	November 12, 2020	By:		/s/ C. Christian Winkle
			Name:	**C. Christian Winkle**
				Director

EXHIBIT 4.37

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of September 30, 2020, Beazer Homes USA, Inc. (the "Company," "us," "we," or "our") had one class of securities, our common stock, par value $0.001 per share, registered under Section 12 of the Securities Exchange Act of 1934, as amended. Our common stock is listed on the New York Stock Exchange under the symbol "BZH."

The following summary does not purport to be complete and is subject to and qualified in its entirety by reference to the General Corporation Law of the State of Delaware (the "DGCL"), our Amended and Restated Certificate of Incorporation ("Charter") and our Fourth Amended and Restated Bylaws ("Bylaws"), as each may be amended from time to time.

Common Stock

General. Our Charter authorizes the issuance of 63,000,000 shares of our common stock, par value $0.001 per share. As of November 9, 2020, there were 31,012,826 shares of our common stock issued and outstanding.

Voting rights. Holders of shares of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Except as otherwise provided in our Charter or as required by law, our common stock is the only capital stock entitled to vote in the election of directors. Our common stock does not have cumulative voting rights.

Dividend rights. Holders of our common stock are entitled to receive dividends and distributions lawfully declared by our board of directors. If we liquidate, dissolve, or wind up our business, whether voluntarily or involuntarily, holders of our common stock will be entitled to receive any assets available for distribution to our stockholders after we have paid or set apart for payment the amounts necessary to satisfy any preferential or participating rights to which the holders of any outstanding series of preferred stock are entitled by the express terms of such series of preferred stock.

Other matters. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors, the holders of shares of our common stock will be entitled to receive pro rata our remaining assets available for distribution. Holders of shares of our common stock do not have preemptive, subscription, redemption, or conversion rights, no redemption or sinking fund provisions are applicable to our common stock. All outstanding shares of common stock are fully paid and nonassessable. We may issue additional shares of our authorized but unissued common stock as approved by our board of directors from time to time.

Our Charter authorizes the issuance of 5,000,000 shares of preferred stock, $0.01 par value. The rights and privileges of holders of our common stock are subject to any preferred stock that we may issue in the future.

Anti-Takeover Provisions

Our Charter and Bylaws, as well as the DGCL, contain provisions that may delay, defer, or discourage another party from acquiring control of us. These provisions, which are summarized below, may discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

Section 203 of the DGCL. We are subject to Section 203 of the DGCL. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" and the sale of more than 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Protective Amendment and Section 382 Rights Agreement. In February 2011, our stockholders approved an amendment to our certificate of incorporation (the "Protective Amendment") designed to preserve the value of certain tax assets associated with net operating loss ("NOL") carryforwards under Section 382. In February 2013, our stockholders approved an extension of the term of the Protective Amendment and approved a Section 382 Rights Agreement that was adopted by our board of directors.

These instruments are intended to act as deterrents to any person or group, together with their affiliates and associates, from being or becoming the beneficial owner of 4.95% or more of our common stock. In February 2016, our stockholders approved an extension of the Protective Amendment to November 12, 2019 and approved a new Section 382 Rights Agreement adopted by our board of directors with an expiration date of November 14, 2019. In February 2019, our stockholders approved an extension of the Protective Amendment to November 12, 2022 and approved a new Section 382 Rights Agreement adopted by our board of directors with an expiration date of November 14, 2022.

Our board of directors has adopted a Rights Agreement pursuant to which holders of our common stock will be entitled to purchase from us one one-thousandth of a share of our Series A Junior Participating Preferred Stock if any Acquiring Person (as defined in the Rights Agreement) acquires beneficial ownership of 4.95% or more of our common stock or if a tender offer or exchange offer is commenced that would result in a person or group acquiring beneficial ownership of 4.95% or more of our common stock. The exercise price per right is $50, subject to adjustment. These provisions of the Rights Agreement could have certain anti-takeover effects because the rights provided to holders of our common stock under the Rights Agreement will cause substantial dilution to a person or group that acquires our common stock or engages in other specified events without the rights under the agreement having been redeemed or in the event of an exchange of the rights for common stock as permitted in the agreement.

Authorized but Unissued Shares. The authorized but unissued shares of our common stock and our preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of the New York Stock Exchange. These additional shares may be used for a variety of corporate finance transactions, acquisitions, and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger, or otherwise.

Special Meetings of Stockholders. Our Bylaws also provide that, except as otherwise required by law, special meetings of the stockholders may only be called by our board of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. In addition, our Bylaws contain provisions requiring that advance notice be delivered to us of any business to be brought by a stockholder before an annual meeting of stockholders and providing for certain procedures to be followed by stockholders in nominating persons for election to our board of directors. Generally, such advance notice provisions provide that the stockholder must give written notice to our Secretary not less than 120 days nor more than 150 days prior to the first anniversary of the date of our notice of annual meeting for the preceding year’s annual meeting; provided, however, that in the event that the date of the meeting is changed by more than 30 days from the anniversary date of the preceding year’s annual meeting, notice by the stockholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made. The notice must set forth specific information regarding such stockholder and such business or director nominee, as described in our Bylaws. Such requirement is in addition to those set forth in the regulations adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Limitations on Liability and Indemnification of Officers and Directors

Our Charter and Bylaws provide indemnification for our directors and officers to the fullest extent permitted by the DGCL. In addition, as permitted by Delaware law, our Charter includes provisions that eliminate the personal liability of our directors for monetary damages resulting from breaches of certain fiduciary duties as a director. The effect of these provisions is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of fiduciary duties as a director, except that a director will be personally liable for:

- any breach of his duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- any transaction from which the director derived an improper personal benefit; or
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL.

These provisions may be held not to be enforceable for violations of the federal securities laws of the United States.

Listing

Our common stock is listed on the New York Stock Exchange under the symbol “BZH.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction of Incorporation
Beazer Clarksburg, LLC	Maryland
Beazer Employee Disaster Assistance Corp.	Georgia
Beazer Gain, LLC	Delaware
Beazer General Services, Inc.	Delaware
Beazer Homes Capital Trust I	Delaware
Beazer Homes, LLC	Delaware
Beazer Homes Holdings, LLC	Delaware
Beazer Homes Indiana LLP	Indiana
Beazer Homes Indiana Holdings Corp.	Delaware
Beazer Homes Investments, LLC	Delaware
Beazer Homes Sales, Inc.	Delaware
Beazer Homes Texas Holdings, Inc.	Delaware
Beazer Homes Texas, L.P.	Delaware
Beazer-Inspirada LLC	Delaware
Beazer Mortgage Corporation	Delaware
Beazer Realty Corp.	Georgia
Beazer Realty Los Angeles, Inc.	Delaware
Beazer Realty Services, LLC	Delaware
BH Building Products, LP	Delaware
BH Procurement Services, LLC	Delaware
Charity Title Agency, LLC	Texas
Charity Title Group, LLC	Delaware
Clarksburg Arora LLC	Maryland
Clarksburg Skylark, LLC	Maryland
Elysian Heights Potomia, LLC	Virginia
Dove Barrington Development LLC	Delaware
Gatherings, LLC	Delaware

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-238487, 333-172483, 333-196642, and 333-218380 on Form S-3; Registration Statement Nos. 333-236484, 333-222166 and 333-217903 on Form S-4 and in Registration Statement Nos. 333-237347, 333-116573, 333-168794, 333-200542 and 333-215991 on Form S-8 of our reports dated November 12, 2020, relating to the consolidated financial statements of Beazer Homes USA, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Beazer Homes USA, Inc. for the year ended September 30, 2020.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
November 12, 2020

EXHIBIT 31.1

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

I, Allan P. Merrill, certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2020

/s/ Allan P. Merrill
Allan P. Merrill
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Robert L. Salomon, certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2020

/s/ Robert L. Salomon
Robert L. Salomon
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Beazer Homes USA, Inc. (the “Company”) hereby certifies that the Report on Form 10-K of the Company for the period ended September 30, 2020, accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2020

/s/ Allan P. Merrill

Allan P. Merrill
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.

EXHIBIT 32.2

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of Beazer Homes USA, Inc. (the “Company”) hereby certifies that the Report on Form 10-K of the Company for the period ended September 30, 2020, accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2020

/s/ Robert L. Salomon

Robert L. Salomon
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Title 18, United States Code, and is not being filed as part of the report or as a separate disclosure document.