

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the fiscal year ended **September 30, 2004**

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 1200, Atlanta, Georgia 30328
(Address of principal executive offices) (Zip code)

(Registrant's telephone number including area code) **(770) 829-3700**

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

Title of Securities
Common Stock, \$.01 par value per share
Preferred Share Purchase Rights

Exchanges on which Registered
New York Stock Exchange
New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant (13,359,995 shares) as of March 31, 2004, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$1,412,285,071.

The number of shares outstanding of the registrant's Common Stock as of November 16, 2004 was 13,831,234.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2005 Annual Meeting of Stockholders

Part of 10-K where incorporated

III

Website Access to Company Reports

Beazer Homes' internet website address is www.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 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 and are available in print to any stockholder who requests a printed copy.

FORM 10-K

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PART I**Item 1. Business**

Our principal executive offices are located at 1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328, telephone (770) 829-3700. We also provide information about our active communities and mortgage financing through our Internet website located at <http://www.beazer.com>. Information on our website is not a part of and shall not be deemed incorporated by reference in this report.

We design, build and sell primarily single-family homes in the following locations within the United States:

Region/State	Market(s) / Year Entered
Southeast Region:	
Florida	Jacksonville (1993), Fort Myers/Naples (1996), Tampa/St. Petersburg (1996), Orlando (1997)
Georgia	Atlanta (1985)
North Carolina	Charlotte (1987), Raleigh/Durham (1992), Greensboro (1999)
South Carolina	Charleston (1987), Columbia (1993), Myrtle Beach (2002)
Tennessee/Mississippi	Nashville (1987), Memphis (2002), Northern Mississippi (2002)
West Region:	
Arizona	Phoenix (1993)
California	Los Angeles County (1993), Orange County (1993), Riverside & San Bernadino Counties (1993), San Diego County (1992), Ventura County (1993), Sacramento (1993)
Colorado	Denver (2001), Colorado Springs (2003)
Nevada	Las Vegas (1993)
Central Region:	
Texas	Dallas/Ft. Worth (1995), Houston (1995)
Mid-Atlantic Region:	
Maryland/Delaware	Baltimore (1998), Metro-Washington DC (1998), Delaware (2003)
New Jersey/Pennsylvania	Central and Southern New Jersey (1998), Bucks County, PA (1998)
Virginia/West Virginia	Fairfax County (1998), Loudoun County (1998), Prince William County (1998), West Virginia (2004)
Midwest Region:	
Indiana	Indianapolis (2002), Lafayette (2002), Ft. Wayne (2002)
Kentucky	Lexington (2002)
Ohio	Columbus (2002), Cincinnati/Dayton (2002)

We design our homes at various price points to appeal to homebuyers across various demographic segments. Our objective is to provide our customers at each price point with homes that incorporate exceptional value and quality while seeking to maximize our return on invested capital. To achieve this objective, we have developed a business strategy which focuses on the following elements:

Geographic Diversity and Growth Markets. We compete in a large number of geographically diverse markets in an attempt to reduce our exposure to any particular regional economy. Most of the markets in which we operate have experienced significant population growth in recent years. Within these markets, we build homes in a variety of projects. Our business strategy entails further increasing our market penetration across the geographically diverse markets in which we compete.

Leverage of National Brand. In October 2003, we launched a branding strategy that is designed to build a unified consumer brand across all markets in which we operate. Our new national branding strategy presents us as one company with one name, one logo, one message and one purpose. We believe that a national branding strategy will differentiate us from our competitors by promoting qualities that lead to good recommendations, referrals to family and friends, and repeat purchases by loyal customers. We feel that a strengthened, national brand identity will better position us to consistently address the needs of our customers across all of our markets.

Leverage Size, Scale and Capabilities to Achieve Optimal Efficiencies. The Company has implemented specific profitability initiatives which focus on leveraging our size, scale and capabilities in order to achieve enhanced gross profit and operating profit margins. These initiatives include:

- § leveraging our size to create economies of scale in purchasing and construction;
- § standardizing best practices and product designs;
- § using branding and increased market penetration to maximize efficiency of land use; and
- § leveraging our fixed cost infrastructure by increasing depth and breadth in markets where we have an established presence.

Quality Homes at Various Price-Points to Meet the Needs of Increasingly Diverse Homebuyers. We seek to maximize customer satisfaction by offering homes which incorporate quality materials, distinctive design features, convenient locations and competitive prices. During fiscal year 2004, the average sales price of our homes closed was approximately \$232,200. Our product strategy entails addressing the needs of an increasingly diverse profile of buyers as evidenced by demographic trends including, among others, increased immigration, changing profiles of households, the aging of the baby-boomers, and the rise of the echo-boomers (children of the baby-boomers) into the ranks of homeownership. Our product offering is broken down into the following product categories:

Economy. These homes are targeted primarily at entry-level buyers, are generally 1,500 square feet or less in size, and are intended to meet the needs of those buyers for whom price is the most important factor in the buying decision.

Value. These homes are targeted at entry-level and move-up buyers, generally range from 1,500 to 2,500 square feet in size, and are intended to appeal to buyers who are more interested in style and features, but are still somewhat price-focused.

Style. These homes are targeted at more affluent move-up buyers, are generally greater than 2,500 square feet in size, and are intended to appeal to buyers in the more luxurious segment of the market, who place greater emphasis on style and features.

In addition, we also offer homes to the 'active-adult' segment which is targeted to buyers over 55 years of age, in communities with special amenities. We offer these homes within the Economy, Value and Style categories described above. Within each product category, we seek to provide exceptional value and to ensure an enjoyable customer experience.

Additional Products and Services for Homebuyers. In order to maximize our profitability and provide our customers with the additional products and services that they desire, we have incorporated design centers and mortgage origination operations into our business. Recognizing that our customers want to choose certain components of their new home, we offer limited customization through the use of design studios in most of our markets. These design studios allow the customer to select certain non-structural customizations for their homes such as cabinetry, flooring, fixtures, appliances and wall coverings. Additionally, recognizing the homebuyer's desire to simplify the financing process, we originate mortgages on behalf of our customers through our subsidiary Beazer Mortgage Corporation, or Beazer Mortgage. Beazer Mortgage originates, processes and brokers mortgages to third party investors. Beazer Mortgage generally does not retain or service the mortgages that it brokers. We also provide title services to our customers in many of our markets.

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

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

Value Created. We evaluate our financial performance and the financial performance of our operations using *Value Created*, a variation of economic profit or economic value added. *Value Created* measures the extent to which we exceed our cost of capital. It is calculated as earnings before interest and taxes ("EBIT"), less a charge for all of the capital employed multiplied by our estimate of our minimum weighted average cost of capital.

Company History

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

In January 2002, we signed an agreement to merge with Crossmann Communities, Inc., or Crossmann. Operating in eleven markets in Indiana, Kentucky, Mississippi, Ohio, North Carolina, South Carolina and Tennessee, Crossmann primarily targeted entry-level and first time move-up homebuyers. Pursuant to the merger agreement, on April 17, 2002, Crossmann merged into our wholly owned subsidiary, Beazer Homes Investment Corp.

Markets and Product Description

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

- the historical and projected growth of the population;
- the number of new jobs created or projected to be created;
- the number of housing starts in previous periods;
- building lot availability and price;
- housing inventory;
- level of competition; and
- home sale absorption rates.

We generally seek to differentiate ourselves from our competition in a particular market with respect to customer service and product type. 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, margins, timing and the economic strength of the market. Although some of our Value and Style homes are priced at the upper end of the market and we offer a selection of amenities, we generally do not build "custom homes." The prices of our Value and Style homes generally are well below the prices of custom homes in most areas. We attempt to maximize efficiency by using standardized design plans whenever possible.

The following table summarizes certain operating information regarding our markets as of and for the year ended September 30, 2004 (*dollars in thousands*):

State	Number of Active Subdivisions	Number of Homes Closed	Average Closing Price	Units in Backlog at Year End	Dollar Value of Backlog at Year End
Arizona	32	1,403	\$ 209.1	1,068	\$ 253,193
California	31	2,457	362.1	1,020	432,293
Colorado	15	420	370.3	133	46,951
Florida	41	1,616	241.6	1,200	301,021
Georgia	19	670	208.7	168	40,901
Indiana	86	1,591	144.6	875	123,532
Kentucky	8	209	135.5	42	6,237
Maryland/Delaware	21	333	348.8	371	125,758
Nevada	12	1,600	222.8	919	271,620
New Jersey/Pennsylvania	13	381	342.8	236	87,980
North & South Carolina	89	2,564	149.0	1,016	165,475
Ohio	35	592	170.6	294	54,556
Tennessee/Mississippi	28	726	179.4	245	44,606
Texas	43	1,020	160.4	429	68,105
Virginia/West Virginia	23	869	360.0	440	213,689
Total Company	496	16,451	\$ 232.2	8,456	\$ 2,235,917

Our homebuilding and marketing activities are conducted under the name of Beazer Homes in each of our markets, except for certain communities in Indianapolis, Indiana which operate under the trade name Trinity Homes.

Corporate Operations

We perform the following functions at a centralized level:

- evaluate and select geographic markets;
- allocate capital resources to particular markets, including with respect to land acquisitions;
- maintain and develop our relationships with lenders and capital markets constituencies to regulate the flow of financial resources;
- maintain centralized information systems; and
- monitor the decentralized operations of our subsidiaries and divisions.

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

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

Land Acquisition and Development

Substantially all of the land we acquire is purchased only after necessary entitlements have been obtained so that we have the right to begin development or construction as market conditions dictate. In certain situations, we will purchase property without all necessary entitlements where we perceive an opportunity to build on such property in a manner consistent with our strategy. The term "entitlements" refers to development agreements, tentative maps or recorded plats, depending on the jurisdiction within which the land is located. Entitlements generally give a developer the right to obtain building permits upon compliance with conditions that are usually within the developer's control. Although entitlements are ordinarily obtained prior to the purchase of land, we are still required to obtain a variety of other governmental approvals and permits during the development process.

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

- 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 projected *Value Created*, 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 and amenities; and
- management's judgment as to 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 construction. Where required, we then undertake or, in the case of land under option, the grantor of the option then undertakes, the development activities (through contractual arrangements with local developers) which include site planning and engineering, as well as constructing road, sewer, water, utilities, drainage and recreational facilities and other amenities. When available in certain markets, we also buy finished lots that are ready for construction.

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

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

The following table sets forth, by state, land controlled by us as of September 30, 2004:

	Lots Owned				Lots Under Contract(3)			Total Land Controlled	
	Undeveloped Lots(1)	Lots Under Development	Finished Lots	Homes Under Construction(2)	Total Lots Owned	Undeveloped Lots	Finished Lots		Total Lots Under Contract
Southeast Region:									
Georgia	-	12	166	200	378	376	2,806	3,182	3,560
Florida	765	1,964	888	855	4,472	326	2,883	3,209	7,681
North & South Carolina	660	1,381	1,604	883	4,528	2,512	3,422	5,934	10,462
Tennessee/Mississippi	-	838	233	393	1,464	1,278	474	1,752	3,216
West Region:									
Arizona	-	2,152	670	456	3,278	2,905	475	3,380	6,658
California	-	2,562	483	1,121	4,166	4,489	802	5,291	9,457
Colorado	-	247	128	305	680	-	1,665	1,665	2,345
Nevada	-	1,885	92	877	2,854	2,182	609	2,791	5,645
Central Region:									
Texas	273	3,285	1,553	498	5,609	75	1,343	1,418	7,027
Mid-Atlantic Region:									
Maryland/Delaware	-	563	124	184	871	-	5,449	5,449	6,320
New Jersey/ Pennsylvania	-	220	445	191	856	3,460	395	3,855	4,711
Virginia/West Virginia	-	568	225	225	1,018	993	1,830	2,823	3,841
Midwest Region:									
Indiana	-	5,529	2,125	789	8,443	766	2,794	3,560	12,003
Kentucky	-	607	70	64	741	-	647	647	1,388
Ohio	1,310	45	1,004	428	2,787	2,192	1,278	3,470	6,257
Total	3,008	21,858	9,810	7,469	42,145	21,554	26,872	48,426	90,571

(1) "Undeveloped Lots" consists of raw land that is expected to be developed into the respective number of lots reflected in this table.

(2) The category "Homes Under Construction" represents lots on which construction of a home has commenced.

(3) The classification within "Lots Under Contract" for this schedule is based upon level of completion at delivery as stated in the option contract.

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

Under option contracts, both with and without specific performance, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our obligation with respect to options with specific performance is included on our consolidated balance sheet in other liabilities at September 30, 2004. At September 30, 2004, we are committed to future amounts under option contracts with specific performance obligations that aggregated \$28.2 million, net of cash deposits. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately \$180.7 million at September 30, 2004. This amount includes letters of credit of approximately \$57.8 million. At September 30, 2004, future amounts under option contracts without specific performance obligations aggregated approximately \$1.8 billion, net of cash deposits.

Construction

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

Construction time for our homes depends on the availability of labor, materials and supplies, product type and location. Homes are designed to promote efficient use of space and materials, and to minimize construction costs and time. In all of our markets, construction of a home is typically completed within three to six months following commencement of construction. At September 30, 2004, we had 1,108 finished homes (excluding models), of which 763 were sold and included in backlog at such date.

Warranty Program

For homes sold through March 31, 2004 (and in certain markets, through July 31, 2004), we self-insure our structural warranty obligations through our wholly owned risk retention group, United Home Insurance Company, A Risk Retention Group, or UHIC. Beginning with homes sold April 1, 2004 (August 1, 2004 in certain markets), our warranties are issued and administered by Professional Warranty Corporation and insured by Steadfast Insurance Company, a Zurich American Company, subject to a \$5 million per occurrence deductible.

Under the UHIC program, we provide a variety of warranties for our homes, spanning from one to ten years in length. We provide a one- to two-year limited warranty of workmanship and materials with each of our homes, which generally includes home inspection visits with the customer during the first year following the purchase of a home. We subcontract our homebuilding work to subcontractors who provide us with an indemnity and a certificate of insurance prior to receiving payments for their work and, therefore, claims relating to workmanship and materials are generally the primary responsibility of our subcontractors. In addition, the first year of our warranty covers defects in plumbing, electrical, heating, cooling and ventilation systems, and major structural defects; the second year of such warranty covers major structural defects and certain defects in plumbing, electrical, heating, cooling and ventilation systems of the home (exclusive of defects in appliances, fixtures and equipment); and the final eight years of protection cover only major structural defects.

Under the Professional Warranty Corporation program, we provide a variety of warranties for our homes, spanning in length from one year to the period covered by the applicable statute of repose. We provide a one- to two-year limited warranty of workmanship and materials with each of our homes, which generally includes home inspection visits with the customer during the first year following the purchase of a home. We subcontract our homebuilding work to subcontractors who provide us with an indemnity and a certificate of insurance prior to receiving payments for their work and, therefore, claims relating to workmanship and materials are generally the primary responsibility of our subcontractors. In addition, the first year of our warranty covers defects in plumbing, electrical, heating, cooling and ventilation systems, and construction defects; the second year of such warranty covers construction defects and certain defects in plumbing, electrical, heating, cooling and ventilation systems of the home (exclusive of defects in appliances, fixtures and equipment); and the remaining years of protection cover only construction defects.

We record a reserve of approximately 0.5% to 1.0% of the sales price of a home to cover warranty expenses, although this allowance is subject to adjustment in special circumstances. Our historical experience is that such warranty expenses generally fall within the amount established for such allowance.

In addition, we maintain third party insurance for most construction defects which we encounter in the normal course of business. We believe that our 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.

There can be no assurance, however, that the terms and limitations of the limited warranty will be effective against claims made by the 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 uninsurable events or circumstances not covered by insurance and not subject to effective indemnification agreements with our subcontractors.

Marketing and Sales

We make extensive use of advertising and other promotional activities, including our website (<http://www.beazer.com>), mass-media advertisements, brochures, direct mail and the placement of strategically located signboards in the immediate areas of our developments.

We normally build, decorate, furnish and landscape between one and five model homes for each project and maintain on-site sales offices. At September 30, 2004, we maintained 667 model homes, of which 550 were owned and 117 were leased from third parties pursuant to sale and leaseback agreements. We believe that model homes play a particularly important role in our marketing efforts. Consequently, we expend a significant effort in creating an attractive atmosphere at our model homes. Interior decorations are undertaken by both in-house and local third-party design specialists, and vary within our models based upon the lifestyles of targeted homebuyers. The purchase of furniture, fixtures and fittings is coordinated to ensure that manufacturers' bulk discounts are utilized to the maximum extent. Structural changes in design from the model homes are not generally permitted, but homebuyers may select various optional amenities. We also use a cross-referral program that encourages our personnel to direct customers to other Beazer Homes subdivisions based on the customers' needs.

We generally sell our homes through commissioned employees (who typically work from the sales offices located at the model homes used in the subdivision) as well as through independent brokers. Our personnel are available to assist prospective homebuyers by providing them with floor plans, price information and tours of model homes and in connection with the selection of options. The selection of interior features is a principal component of our marketing and sales efforts. Sales personnel are trained by us and attend periodic meetings to be updated on sales techniques, competitive products in the area, the availability of financing, construction schedules, marketing and advertising plans, which management believes result in a sales force with extensive knowledge of our operating policies and housing products. Our policy also provides that sales personnel be licensed real estate agents where required by law. We also build a number of homes for which no signed sales contract exists at the time of commencement of construction. The use of an inventory of such homes is necessary to satisfy the requirements of relocated personnel and of independent brokers, who often represent customers who require a completed home within 60 days. At September 30, 2004, excluding models, we had 1,648 homes at various stages of completion (of which 345 were completed) for which we had not received a sales contract.

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

Customer Financing

We provide customer financing through Beazer Mortgage. Beazer Mortgage provides mortgage origination services only, and generally does not retain or service the mortgages that it originates. These mortgages are generally funded by one of a network of mortgage lenders. Beazer Mortgage can provide qualified homebuyers numerous financing options, including a wide variety of conventional, FHA and VA financing programs. In certain situations we will seek to assist our homebuyers in obtaining financing from outside mortgage lenders and, in certain limited circumstances, we may attempt to minimize potential risks relating to the availability of customer financing by purchasing mortgage financing commitments that lock in the availability of funds and interest rates at specified levels for a certain period of time. Because substantially all homebuyers utilize long-term mortgage financing to purchase a home, adverse economic conditions, increases in unemployment and high mortgage interest rates may deter and eliminate a substantial number of potential homebuyers from our markets in the future.

Competition and Market Factors

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

- our experience within our geographic markets and breadth of product line, which allows us to vary our regional product offerings to reflect changing market conditions;
- our responsiveness to market conditions, enabling us to capitalize on the opportunities for advantageous land acquisitions in desirable locations; and
- our reputation for quality design, construction and service.

The housing industry is cyclical and is affected by consumer confidence levels and prevailing economic conditions generally, including interest rate levels. A variety of other factors affect the housing industry and demand for new homes, including the availability of labor and materials and increases in the costs thereof, changes in costs associated with home ownership such as increases in property taxes and energy costs, changes in consumer preferences, demographic trends and the availability of and changes in mortgage financing programs.

Government Regulation and Environmental Matters

Substantially all of our land is purchased with entitlements, giving us the right to obtain building permits upon compliance with specified conditions, which generally are within our control. Upon compliance with such conditions, we must obtain building permits. The length of time necessary to obtain such permits and approvals affects the carrying costs of unimproved property acquired for the purpose of development and construction. In addition, the continued effectiveness of permits already granted is subject to factors such as changes in policies, rules and regulations and their interpretation and application. Several governmental authorities have imposed impact fees as a means of defraying the cost of providing certain governmental services to developing areas. To date, the governmental approval processes discussed above have not had a material adverse effect on our development activities, and indeed all homebuilders in a given market face the same fees and restrictions. There can be no assurance, however, that these and other restrictions will not adversely affect us in the future.

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

Bonds and Other Obligations

We are frequently required, in connection with the development of our projects, to obtain letters of credit and performance, maintenance and other bonds in support of our related obligations with respect to such developments. The amount of such obligations outstanding at any time varies in accordance with our pending development activities. In the event any such bonds or letters of credit are drawn upon, we would be obligated to reimburse the issuer of such bonds or letters of credit. At September 30, 2004 we had outstanding approximately \$45.9 million and \$351.3 million of outstanding letters of credit and performance bonds, respectively, related to our obligations to local governments to construct roads and other improvements in various developments in addition to outstanding letters of credit of approximately \$57.8 million related to our land option contracts. We do not believe that we will be required to draw upon any such bonds or letters of credit.

Employees and Subcontractors

At September 30, 2004, we employed 3,428 persons, of whom 747 were sales and marketing personnel, 1,223 were executive, management and administrative personnel, 1,238 were involved in construction and 220 were personnel of Beazer Mortgage. Although none of our employees are covered by collective bargaining agreements, certain of the subcontractors engaged by us are represented by labor unions or are subject to collective bargaining arrangements. We believe that our relations with our employees and subcontractors are good.

Item 2. Properties

We lease approximately 42,000 square feet of office space in Atlanta, Georgia to house our corporate headquarters. We also lease an aggregate of approximately 481,000 square feet of office space for our subsidiaries' operations at various locations. We own approximately 18,500 square feet of manufacturing space and an aggregate of 57,872 square feet of office space in Nashville, Tennessee and Indianapolis, Indiana.

Item 3. Legal Proceedings

As of September 30, 2004, our subsidiary, Trinity Homes LLC, had received 979 construction defect and warranty complaints related to moisture intrusion and mold. As of September 30, 2004, there were eleven pending lawsuits related to these complaints. One of these suits, Christopher J. Colon and Mary A. Colon v. Trinity Homes LLC and Beazer Homes Investment Corp. (formerly filed as Gary Harmon and Sheri Harmon v. Trinity Homes LLC and Beazer Homes Investment Corp.) is a class action suit that was filed in Hamilton County Superior Court in the State of Indiana on August 19, 2003 against Trinity and Beazer Homes Investment Corp., another one of our subsidiaries and Trinity's parent. As part of that case, the plaintiffs are asserting that Trinity and Beazer Homes Investment Corp. violated applicable building codes. The complaint attempts to define the purported class to include all owners of a residential structure in Indiana constructed and marketed by Trinity and Beazer Homes Investment Corp. in which a one-inch gap with a vapor barrier does not exist between an exterior brick veneer wall and the surface of the underlying exterior wall. Excluded from the class are any residents who suffer personal injuries caused by mold infestation. No monetary amount was stated in the claim.

The parties in the putative class action engaged in a series of mediation conferences which resulted in an agreement for a proposed settlement of the case. The parties submitted settlement documents to the court, which the Court preliminarily approved on August 6, 2004. A Fairness Hearing was held on October 18, 2004 and the Court approved the settlement agreement on October 20, 2004.

The settlement class is defined as the current owners of all Trinity homes that have brick veneer, where the closing of Trinity's initial sale of the home took place between June 1, 1998 and October 31, 2002. However, the class definition specifically excludes (a) any houses built by Homes by John McKenzie; (b) any houses owned by Trinity as of August 6, 2004, or which as of August 6, 2004 were the subject of an executed agreement for Trinity to purchase the homes; and (c) any houses for which a homeowner has executed or agreed to a release in favor of Trinity as part of a separate agreement.

The settlement agreement establishes an agreed protocol and process for assessment and remediation of any external water intrusion issues at the homes which includes, among other things, that the homes will be repaired at Trinity's expense. A licensed engineering firm working on behalf of the homeowners will be allowed to review the plan for the remediation of each home as well as the performance of the repair work. The settlement establishes a time frame within which the work must be completed and provides a Dispute Resolution Panel to resolve disputes between a homeowner and Trinity concerning both the plan to remediate the home and the performance of the work.

Under the settlement, each homeowner releases Trinity, Beazer Homes Investment Corp. and other affiliated companies from the claims asserted in the class action lawsuit, claims arising out of external water intrusion, and claims of improper brick installation, including property damage claims, loss or diminution of property value claims, and most personal injury claims, among others.

There was a 30-day timeframe, which ended on November 19, 2004, to appeal the Court's Order approving the settlement. No appeals were received by the Court within the timeframe established. The Company expects to send out the claims notices on or about December 20, 2004 and the Class Members will have 60 days to file Claims.

In November 2003, Beazer Homes received a request for information from the United States Environmental Protection Agency (the "EPA") pursuant to Section 308 of the Clean Water Act seeking information concerning the nature and extent of storm water discharge practices relating to certain projects undertaken since December 1998. Beazer Homes identified 381 projects within this category and the EPA sought specific information concerning 71 of them and is conducting site inspections on certain others. As of September 30, 2004, the EPA or an equivalent state agency has issued Administrative Orders identifying alleged instances of noncompliance for 20 of the sites. The Administrative Orders provide mandatory compliance schedules to address the alleged deficiencies in storm water management practices, but do not impose any monetary penalties. The EPA has reserved the right to impose monetary penalties at a later date, the amount of which, if any, cannot currently be estimated. Beazer Homes is working to comply with the requirements of the Administrative Orders and to otherwise maintain compliance with the requirements of the Clean Water Act.

The Company and certain of its subsidiaries have been named as defendants in various claims, complaints and other legal actions, including relating to moisture intrusion and related mold claims, construction defects and product liability. Certain of the liabilities resulting from these actions are covered by insurance. In our opinion, the ultimate resolution of these matters will not have a material adverse effect on our financial condition or results of operations.

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

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

SEPARATE ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT

<u>Name</u>	<u>Age</u>	<u>Position</u>
Executive Officers		
Ian J. McCarthy	51	President, Chief Executive Officer and Director
Michael H. Furlow	54	Executive Vice President, Chief Operating Officer
James O'Leary	41	Executive Vice President, Chief Financial Officer
John Skelton	55	Senior Vice President, Forward Planning
C. Lowell Ball	47	Senior Vice President, General Counsel
Michael T. Rand	42	Senior Vice President, Chief Accounting Officer
Jonathan P. Smoke	35	Senior Vice President, Chief Information Officer
Cory J. Bodyston	45	Senior Vice President, Treasurer
Fred Fratto	50	Senior Vice President, Human Resources

Business Experience

IAN J. MCCARTHY. Mr. McCarthy is the President and Chief Executive Officer of Beazer Homes and has served as a director of Beazer Homes since the initial public offering of common stock in March 1994 ("the IPO"). Mr. McCarthy has served as President of predecessors of Beazer Homes since January 1991 and was responsible for all United States residential homebuilding operations in that capacity. During the period May 1981 to January 1991, Mr. McCarthy was employed in Hong Kong and Thailand becoming a director of Beazer Far East and from January 1980 to May 1981 was employed by Kier, Ltd., a company engaged in the United Kingdom construction industry which became an indirect, wholly-owned subsidiary of Beazer PLC. Mr. McCarthy is a Chartered Civil Engineer with a Bachelor of Science degree from The City University, London. Mr. McCarthy currently serves as Chairman of the National Advisory Board of HomeAid America, and as a member of HomeAid America's Board of Directors. He also serves on the Board of Directors of Builder Homesite, Inc., on the Board of Directors of the Metro Atlanta Chamber of Commerce, and as a Trustee for the Woodruff Arts Center, Atlanta, Georgia. He was inducted into the California Building Industry Hall of Fame in 2004, the first non-California resident to receive this honor.

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

JAMES O'LEARY. Mr. O'Leary joined us in June 2002 as Executive Vice President, Corporate Development. In August 2003 he was appointed Executive Vice President and Chief Financial Officer. Mr. O'Leary was previously with U.S. Industries, Inc. from 1995 to 2002. From 2000 to 2002, Mr. O'Leary was Chairman and CEO of LCA Group, Inc., U.S. Industries' global lighting subsidiary. He also served as Executive Vice President of U.S. Industries from 1999 to 2002, Senior Vice President and Chief Financial Officer from 1998 to 1999 and Vice President and Corporate Controller from 1995 to 1998. Mr. O'Leary held various financial and operational positions at Hanson PLC., U.S. Industries' former parent company, from 1993 to 1995 at which time U.S. Industries was spun off to Hanson's shareholders. Mr. O'Leary was with Deloitte & Touche from 1985 to 1993. Mr. O'Leary holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and a Bachelor of Business Administration degree from Pace University. Mr. O'Leary is a licensed Certified Public Accountant.

JOHN SKELTON. Mr. Skelton served as Senior Vice President, Operations from the IPO through fiscal 1998, was appointed Senior Vice President, Financial Planning in fiscal 1999 and appointed Senior Vice President, Forward Planning in fiscal 2003. Mr. Skelton served as Vice President and Chief Financial Officer of Beazer Homes, Inc., a subsidiary of Beazer Homes, since 1985 and Vice President and Chief Financial Officer of Beazer Homes Holdings, Inc., a subsidiary of Beazer Homes, since April 1993. During the period 1977 to 1985, Mr. Skelton served as Finance Director of Leech Homes, a subsidiary of Leech PLC which was acquired by Beazer PLC in 1985. After graduating with a Bachelor's degree from Durham University in the United Kingdom, he was employed by Deloitte & Touche and is a Fellow of the Institute of Chartered Accountants in England and Wales.

C. LOWELL BALL. Mr. Ball joined us in August 2000 as Senior Vice President and General Counsel. From 1992 to August 2000, Mr. Ball held equivalent positions with commercial real estate investment, development-operating companies, including Regent Partners, Inc., Compass Management and Leasing, Inc. and Dutch Institutional Holding Company. Prior to 1992, Mr. Ball practiced law for ten years with two major Atlanta law firms: Long, Aldridge & Norman and Sutherland, Asbill & Brennan. Mr. Ball graduated with honors from the University of North Carolina School of Law where he served on the Board of Editors of the [North Carolina Law Review](#). He also received his undergraduate degree from the University of North Carolina where he was a Morehead Scholar.

MICHAEL T. RAND. Mr. Rand joined us in November 1996 as Vice President, Operational and Accounting Controls and was promoted to Vice President, Corporate Controller in June of 1998. Mr. Rand was promoted to Senior Vice President, Corporate Controller in October 2002, and to Senior Vice President, Chief Accounting Officer in August 2004. Prior to joining Beazer Homes, Mr. Rand was with the firm KPMG Peat Marwick from 1984 to 1996, at which time he served as a Senior Audit Manager. Mr. Rand holds a Bachelors degree in Commerce from the University of Virginia and is a licensed Certified Public Accountant.

JONATHAN P. SMOKE. Mr. Smoke joined us in March 2001 as Vice President, eBusiness, was appointed Chief Information Officer in April 2002, and was promoted to Senior Vice President in September 2003. Mr. Smoke was previously with Lend Lease Corporation from 1999 to 2001 where he was responsible for ebusiness strategy and initiatives. Mr. Smoke was a management consultant with Deloitte & Touche from 1993 to 1999. Mr. Smoke holds a Master of Business Administration degree from the McCombs School of Business at the University of Texas at Austin and a Bachelor of Arts degree from Rhodes College.

CORY J. BOYDSTON. Mrs. Boydston joined us in January 1998 as Vice President and Treasurer, and was promoted to Senior Vice President in October 2004. Mrs. Boydston is currently responsible for the Treasury functions of the Company. She also oversees the Company's Title and Homeowner Insurance operations. Prior to joining Beazer, Mrs. Boydston was with Lennar Corporation from 1987 to 1997, serving in various capacities including Vice President - Finance and Chief Financial Officer, Corporate Controller, and Chief Financial Officer - Investment Division. Before joining Lennar, Mrs. Boydston was with Hayes Microcomputer Products and Arthur Andersen & Co. Mrs. Boydston received a Bachelor of Science Degree in Accounting from Florida State University in 1981 and holds an active CPA license in the State of Georgia.

FRED FRATTO. Mr. Fratto joined us in October, 2002 as Vice President, Human Resources and was promoted to Senior Vice President in October 2004. Prior to joining Beazer Homes, Mr. Fratto served as Vice President, Human Resources and Administration for the Gulfstream Aerospace Corporation from 1999 to 2002. Previously, Mr. Fratto was with the Newell Rubbermaid Company from 1995 to 1999 and Westinghouse Electric Corporation from 1980 to 1995. He holds a Master of Science degree in Industrial and Labor Relations from West Virginia University and a Bachelor of Arts degree from Fairmont State College.

PART II

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

Market Information

The Company lists its common shares on the New York Stock Exchange (NYSE) under the symbol "BZH." On November 16, 2004, the last reported sales price of the Company's common stock on the NYSE was \$125.00. On November 16, 2004, Beazer Homes USA, Inc. had approximately 115 shareholders of record and 13,831,234 shares of common stock outstanding. The following table sets forth, for the quarters indicated, the range of high and low trading for the Company's common stock during fiscal 2004 and 2003.

Quarter ended:	September 30		June 30		March 31		December 31	
2004 Period:								
High	\$	109.85	\$	107.10	\$	112.99	\$	109.60
Low	\$	86.43	\$	89.15	\$	88.26	\$	83.39
2003 Period:								
High	\$	87.94	\$	94.90	\$	63.93	\$	70.40
Low	\$	75.57	\$	58.18	\$	52.49	\$	51.40

Dividends

During fiscal 2004, the Company paid quarterly cash dividends of \$0.10 per common share, or a total of approximately \$5.5 million. The Company expects to continue paying regular cash dividends on a quarterly basis. However, the Board of Directors will periodically reconsider the declaration of dividends and the Company will pay dividends at the discretion of the Board of Directors. The continuation of payments, the amount of such dividends, and the form in which the dividends are paid (cash or stock) depends upon the results of operations, the financial condition of the Company and other factors which the Board of Directors deems relevant. The indentures under which our Senior Notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At September 30, 2004, under the most restrictive covenants of each indenture, approximately \$289.7 million of our retained earnings was available for cash dividends and for share repurchases.

The following table provides information as of September 30, 2004 with respect to our shares of common stock that may be issued under our existing equity compensation plans, all of which have been approved by our stockholders:

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Common Shares Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by stockholders	607,268	\$58.78	1,007,348

Item 6. Selected Financial Data
Selected Financial Data

(dollars in thousands, except per share amounts)

	Year Ended September 30,				
	2004	2003	2002	2001	2000
Statement of Operations Data:					
Total revenue	\$ 3,907,109	\$ 3,177,408	\$ 2,641,173	\$ 1,805,177	\$ 1,527,865
Operating income	377,935	279,155	193,174	121,027	75,623
Net income	235,811	172,745	122,634	74,876	43,606
Net income per common share:			(iv)		
Basic	17.74	13.41	11.64	9.19	5.28
Diluted	17.09	12.78	10.74	8.18	5.05
Balance Sheet Data (end of year):					
Cash	\$ 320,880	\$ 73,372	\$ 124,989	\$ 41,678	\$ -
Inventory	2,344,095	1,723,483	1,364,133	844,737	629,663
Total assets	3,149,462	2,212,034	1,892,847	995,289	696,228
Total debt	1,137,404	741,365	739,100	395,238	252,349
Stockholders' equity	1,232,121	993,695	799,515	351,195	270,538
Supplemental Financial Data:					
Cash provided by/(used in):					
Operating activities	\$ (73,719)	\$ (41,049)	\$ 59,464	\$ (25,578)	\$ (18,726)
Investing activities	(30,476)	(6,552)	(314,633)	(72,835)	(11,805)
Financing activities	351,703	(4,016)	338,480	140,091	30,531
EBIT (i)	452,774	340,980	245,060	155,983	99,189
EBITDA (i)	468,529	354,200	254,513	165,236	106,041
Interest incurred (ii)	76,035	65,295	51,171	35,825	30,897
EBIT/interest incurred	5.95 x	5.22 x	4.79 x	4.35 x	3.21 x
EBITDA/interest incurred	6.16 x	5.42 x	4.97 x	4.61 x	3.43 x
Financial Statistics (iii):					
Total debt as a percentage of total debt and stockholders' equity	48.0%	42.7%	48.0%	53.0%	48.3%
Asset Turnover	1.46 x	1.55 x	1.83 x	2.13 x	2.37 x
EBIT Margin	11.6%	10.7%	9.3%	8.6%	6.5%
Return on average assets (pre-tax)	16.9%	16.6%	17.0%	18.4%	15.4%
Return on average capital (pre-tax)	22.1%	20.8%	21.4%	24.6%	20.4%
Return on average equity	21.2%	19.3%	21.3%	24.1%	17.3%

(i) EBIT and EBITDA: EBIT (earnings before interest and taxes) equals net income before (a) previously capitalized interest amortized to costs and expenses; and (b) income taxes. EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated by adding depreciation and amortization for the period to EBIT. EBIT and EBITDA are not generally accepted accounting principles (GAAP) financial measures. EBIT and EBITDA should not be considered alternatives to net income determined in accordance with GAAP as an indicator of operating performance, nor an alternative to cash flows from operating activities determined in accordance with GAAP as a measure of liquidity. Because some analysts and companies may not calculate EBIT and EBITDA in the same manner as Beazer Homes, the EBIT and EBITDA information presented above may not be comparable to similar presentations by others.

EBITDA is a measure commonly used in the homebuilding industry and is presented to assist in understanding the ability of our operations to generate cash in addition to the cash needed to service existing interest requirements and ongoing tax obligations. By providing a measure of available cash, management believes that this non-GAAP measure enables holders of our outstanding senior indebtedness to better understand our cash performance and our ability to service our debt obligations as they currently exist and as additional indebtedness is incurred in the future. The measure is useful in budgeting and determining capital expenditure levels because it enables management to evaluate the amount of cash that will be available for discretionary spending.

A reconciliation of EBITDA and EBIT to cash provided/(used) by operations, the most directly comparable GAAP measure, is provided below for each period presented:

	Year Ended September 30,				
	2004	2003	2002	2001	2000
Net cash provided/(used) by operating activities	\$ (73,719)	\$ (41,049)	\$ 59,464	\$ (25,578)	\$ (18,726)
Increase in inventory	410,525	328,893	152,990	153,668	97,104
Provision for income taxes	150,764	112,784	79,425	47,872	27,879
Deferred income tax benefit (provision)	22,740	(87)	6,613	7,906	3,792
Interest amortized to cost of sales	66,199	55,451	43,001	33,235	27,704
Increase in accounts payable and other liabilities	(120,976)	(96,224)	(71,781)	(38,721)	(39,654)
Change in book overdraft	-	-	-	(20,095)	11,219
Increase (decrease) in accounts receivable and other assets	21,399	14,702	(2,010)	16,837	1,671
Loss on early extinguishment of debt	-	(7,570)	-	(1,202)	-
Tax benefit from stock transactions	(8,127)	(11,502)	(12,235)	(3,837)	-
Other	(276)	(1,198)	(954)	(4,849)	(4,948)
EBITDA	468,529	354,200	254,513	165,236	106,041
Less depreciation and amortization	15,755	13,220	9,453	9,253	6,852
EBIT	\$ 452,774	\$ 340,980	\$ 245,060	\$ 155,983	\$ 99,189

(ii) All interest incurred is capitalized to inventory and subsequently amortized to cost of sales as homes are closed.

(iii) Asset turnover = (total revenue divided by average total assets); EBIT margin = (EBIT divided by total revenues); Return on average assets = (EBIT divided by average total assets); Return on average capital = (EBIT divided by average total debt plus stockholders' equity); Return on average equity = (net income divided by average stockholders' equity).

(iv) As discussed in Item 7 below and in Note 2 to the Consolidated Financial Statements, Beazer Homes acquired Crossmann Communities effective April 17, 2002.

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

General

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

<u>Southeast</u>	<u>West</u>	<u>Central</u>	<u>Mid-Atlantic</u>	<u>Midwest</u>
Florida	Arizona	Texas	Delaware	Indiana
Georgia	California		Maryland	Kentucky
Mississippi	Colorado		New Jersey	Ohio
North Carolina	Nevada		Pennsylvania	
South Carolina			Virginia	
Tennessee			West Virginia	

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

Our homes are designed to appeal to homebuyers at various price-points across various demographic segments, and are generally offered for sale in advance of their construction. Once a sales contract has been signed by both the homebuyer and Beazer Homes, we classify the transaction as a "new order" and include the home in "backlog." Such sales contracts are usually subject to certain contingencies such as the buyer's ability to qualify for financing. We do not recognize revenue on homes in backlog until the sales are closed and the risk of ownership has been transferred to the buyer.

Crossmann Acquisition: On April 16, 2002, our stockholders and the stockholders of Crossmann Communities, Inc. ("Crossmann") approved the merger of Crossmann into one of our wholly owned subsidiaries, and the merger became effective on April 17, 2002. Crossmann built single-family homes in Indiana-its home base- with operations in Kentucky, Mississippi, North Carolina, Ohio, South Carolina and Tennessee and was a leading regional builder in these markets prior to the merger. We have included Crossmann's operating results in our consolidated financial statements since April 1, 2002, less an imputed interest charge on the cash portion of the merger consideration for the period April 1, 2002 through April 16, 2002.

The aggregate merger consideration we paid consisted of approximately 3.9 million shares of our common stock (approximately \$308.6 million) and \$191.6 million in cash. In connection with the merger, we also repaid approximately \$125.4 million of Crossmann debt. The cash portion of the merger consideration and the repayment of Crossmann debt upon the merger were funded from proceeds from our issuance of \$350 million 8 3/8% Senior Notes due 2012 in a private placement on April 17, 2002.

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

Critical Accounting Policies: Some of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters. Although our accounting policies are in compliance with accounting principles generally accepted in the United States of America, 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. Listed below are those policies that we believe are critical and require the use of complex judgment in their application.

Inventory Valuation

Housing projects and land held for development and sale are stated at cost (including direct construction costs, capitalized indirect costs, capitalized interest and real estate taxes) unless facts and circumstances indicate that the carrying value of the assets may be impaired. We assess these assets for recoverability in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

These evaluations for impairment are significantly impacted by estimates of revenues, costs and expenses and other factors. Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from those estimates. Our assumptions about future home sales prices and volumes require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. We continue to evaluate the carrying value of our inventory and, based on historical results, believe that our existing estimation process is accurate and do not anticipate the process to materially change in the future.

Goodwill

We test goodwill for impairment annually or more frequently if an event occurs or circumstances change that more likely than not reduce the value of a reporting unit below its carrying value. For purposes of goodwill impairment testing, we compare the fair value of each reporting unit with its carrying amount, including goodwill. Each of our operating divisions is considered a reporting unit. The fair value of each reporting unit is determined based on expected discounted future cash flows. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered impaired. If goodwill is considered impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the goodwill exceeds implied fair value of that goodwill. We performed our annual impairment test of goodwill as of April 30, 2004. For purposes of our annual goodwill impairment test, we obtained independent valuations of our reporting units. Based on comparison of those independent valuations to the carrying values of our reporting units at April 30, 2004, we determined that goodwill was not impaired.

Inherent in our fair value determinations are certain judgments and estimates, including projections of future cash flows, the discount rate reflecting the risk inherent in future cash flows, the interpretation of current economic indicators and market valuations and our strategic plans with regard to our operations. A change in these underlying assumptions would cause a change in the results of the tests, which could cause the fair value of one or more reporting units to be less than their respective carrying amounts. In addition, to the extent that there are significant changes in market conditions or overall economic conditions or our strategic plans change, it is possible that our conclusion regarding goodwill impairment could change, which could have a material effect on our financial position and results of operations.

Our goodwill has been assigned to reporting units in different geographic locations. Therefore, potential goodwill impairment charges resulting from changes in local market and/or local economic conditions or changes in our strategic plans may be isolated to one or a few of our reporting units. However, our business is concentrated in the homebuilding industry and, as such, a widespread decline in the homebuilding industry or a significant deterioration of economic conditions could have a negative impact on the estimated fair value of a larger number of our reporting units.

While we believe that no impairment existed as of September 30, 2004, there can be no assurances that future economic or financial developments, including general interest rate increases or poor performance in either the national economy or individual local economies, might not lead to impairment of goodwill prospectively.

Homebuilding Revenues and Costs

Revenue from the sale of a home is recognized when the closing has occurred and the risk of ownership is transferred to the buyer. All associated homebuilding costs are charged to cost of sales in the period when the revenues from home closings are recognized. Homebuilding costs include land and land development costs (based upon an allocation of such costs, including costs to complete the development, or specific lot costs), home construction costs (including an estimate of costs, if any, to complete home construction), previously capitalized indirect costs (principally for construction supervision), capitalized interest and estimated warranty costs. Sales commissions are included in selling, general and administrative expense when the closing has occurred. All other costs are expensed as incurred.

Warranty Reserves

We provide a limited warranty (ranging from one to two years) of workmanship and materials with each of our homes. Such warranty covers defects in plumbing, electrical, heating, cooling and ventilating systems and construction defects. In addition, we provide a warranty (ranging from a minimum of ten years up to the period covered by the applicable statute of repose) with each of our homes, covering construction defects only. Since we subcontract our homebuilding work to subcontractors who generally provide us with an indemnity and a certificate of insurance prior to receiving payments for their work, claims relating to workmanship and materials are generally the primary responsibility of our subcontractors.

Warranty reserves are included in accrued expenses in the consolidated financial statements. 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 the claims and adjusts these provisions accordingly. Factors that affect our warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. 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 warranty reserves at September 30, 2004 and 2003 include accruals for certain moisture intrusion issues. Our estimation process for such accruals is discussed in Note 14 to the Consolidated Financial Statements. While we believe that our warranty reserves at September 30, 2004 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.

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

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

	2004		2003		2002
	Amount	% Change	Amount	% Change	Amount
Number of new orders, net of cancellations⁽¹⁾:					
Southeast Region:					
Florida	2,061	33.1%	1,549	22.5%	1,265
Georgia	650	25.2	519	3.4	502
North and South Carolina	2,461	(13.6)	2,850	30.9	2,177
Tennessee/Mississippi	712	2.3	696	2.5	679
Total Southeast	5,884	4.8	5,614	21.4	4,623
West Region:					
Arizona	1,764	22.2	1,443	11.5	1,294
California	2,776	38.2	2,009	(10.3)	2,239
Colorado	410	13.9	360	53.2	235
Nevada	1,783	34.1	1,330	47.6	901
Total West	6,733	30.9	5,142	10.1	4,669
Central Region:					
Texas	1,053	(6.6)	1,128	(9.3)	1,244
Mid-Atlantic Region:					
Maryland/Delaware	430	15.9	371	15.2	322
New Jersey/Pennsylvania	404	15.4	350	25.0	280
Virginia/West Virginia	679	(27.3)	934	22.4	763
Total Mid-Atlantic	1,513	(8.6)	1,655	21.2	1,365
Midwest Region:					
Indiana	1,558	(23.1)	2,026	67.3	1,211
Kentucky	132	(42.4)	229	100.9	114
Ohio	608	16.5	522	35.9	384
Total Midwest	2,298	(17.2)	2,777	62.5	1,709
Total	17,481	7.1%	16,316	19.9%	13,610
Backlog at end of year:					
Southeast Region:					
Florida	1,200	58.9%	755	12.7%	670
Georgia	168	(10.6)	188	26.2	149
North and South Carolina	1,016	(9.2)	1,119	36.0	823
Tennessee/Mississippi	245	(5.4)	259	15.1	225
Total Southeast	2,629	13.3	2,321	24.3	1,867
West Region:					
Arizona	1,068	51.1	707	15.0	615
California	1,020	45.5	701	(4.4)	733
Colorado	133	(7.0)	143	164.8	54
Nevada	919	24.9	736	70.8	431
Total West	3,140	37.3	2,287	24.8	1,833
Central Region:					
Texas	429	8.3	396	(21.9)	507
Mid-Atlantic Region:					
Maryland/Delaware	371	35.4	274	83.9	149
New Jersey/Pennsylvania	236	10.8	213	53.2	139
Virginia/West Virginia	440	(30.2)	630	52.9	412
Total Mid-Atlantic	1,047	(6.3)	1,117	59.6	700
Midwest Region:					
Indiana	875	(3.6)	908	(15.8)	1,079
Kentucky	42	(64.7)	119	54.5	77
Ohio	294	5.8	278	(39.0)	456
Total Midwest	1,211	(7.2)	1,305	(19.0)	1,612
Total	8,456	13.9%	7,426	13.9%	6,519

(1) New orders for 2002 do not include 2,535 homes in backlog from acquired operations.

Year Ended September 30,

	2004		2003		2002
	Amount	% Change	Amount	% Change	Amount
Number of closings:					
Southeast Region:					
Florida	1,616	10.4%	1,464	29.3%	1,132
Georgia	670	39.6	480	1.5	473
North and South Carolina	2,564	0.4	2,554	21.4	2,103
Tennessee/Mississippi	726	9.7	662	(23.6)	867
Total Southeast	5,576	8.1	5,160	12.8	4,575
West Region:					
Arizona	1,403	3.8	1,351	11.6	1,211
California	2,457	20.4	2,041	(0.9)	2,059
Colorado	420	55.0	271	(27.9)	376
Nevada	1,600	56.1	1,025	28.8	796
Total West	5,880	25.4	4,688	5.5	4,442
Central Region:					
Texas	1,020	(17.7)	1,239	10.5	1,121
Mid-Atlantic Region:					
Maryland/Delaware	333	35.4	246	(29.3)	348
New Jersey/Pennsylvania	381	38.0	276	(0.4)	277
Virginia	869	21.4	716	(9.0)	787
Total Mid-Atlantic	1,583	27.9	1,238	(12.3)	1,412
Midwest Region:					
Indiana	1,591	(27.6)	2,197	51.7	1,448
Kentucky	209	11.8	187	81.6	103
Ohio	592	(15.4)	700	39.4	502
Total Midwest	2,392	(22.4)	3,084	50.2	2,053
Total	16,451	6.8%	15,409	13.3%	13,603

Homebuilding Revenues(in thousands):

Southeast Region	\$ 1,042,589	15.7%	\$ 900,901	18.6%	\$ 759,646
West Region	1,694,954	45.9	1,161,983	16.9	994,120
Central Region	163,569	(15.2)	192,841	10.3	174,816
Mid-Atlantic Region	559,596	37.6	406,708	6.9	380,296
Midwest Region	359,320	(18.1)	438,831	53.4	286,032
Total	\$ 3,820,028	23.2%	\$ 3,101,264	19.5%	\$ 2,594,910

Average sales price per home closed(in thousands):

Southeast Region	\$ 187.0	7.1%	\$ 174.6	5.2%	\$ 166.0
West Region	288.3	16.3	247.9	10.8	223.8
Central Region	160.4	3.1	155.6	(0.2)	155.9
Mid-Atlantic Region	353.5	7.6	328.5	22.0	269.3
Midwest Region	150.2	5.6	142.3	2.2	139.3
Company Average	232.2	15.4	201.3	5.5	190.8

Number of active subdivisions at year end:

Southeast Region	177	(0.6)%	178	(5.3)%	188
West Region	90	(7.2)	97	32.9	73
Central Region	43	10.3	39	14.7	34
Mid-Atlantic Region	57	42.5	40	14.3	35
Midwest Region	129	(7.9)	140	1.4	138
Total	496	0.4%	494	5.6%	468

New Orders:

New orders increased in each of the last two fiscal years compared to the prior year.

The increases in new orders during fiscal 2004 compared to fiscal 2003 were driven by our Southeast and West regions. Order increases in our Southeast region reflect strength in Georgia and Florida, which was somewhat offset by weakness in parts of the Carolinas. Orders increased in all markets in our West region, where demand continues to be strong. Orders were down in our Mid-Atlantic region compared to a strong 2003, including orders during 2003 for affordable housing units built through governmental programs. The decreases in orders in our Midwest region reflect continued weakness in our Indiana and Kentucky markets driven primarily by the soft economy in those markets. Management continues to focus efforts on improving performance in the Mid west. We have initiated specific actions including completing a three-year financial plan, organizational alignment including management changes where appropriate, consolidating some office facilities, eliminating redundant costs, introducing new product into the region, and enhancing realtor programs and other marketing initiatives, including a coordinated media campaign centered on the Beazer Homes brand. Management continues to believe that these markets hold long-term strategic advantages for the Company. Orders were also down in our Central Region, reflecting continued weakness in our Dallas market.

The increases in new orders in fiscal 2003 reflected strong overall demand in most of our markets, with the strongest growth in the Southeast, Mid-Atlantic and West regions. Low interest rates and favorable demographic trends, including population growth, fueled demand, particularly in the first-time buyer segment. The increase in new orders in the Midwest during fiscal 2003 reflects the inclusion of results from that region for a full year compared to six months of fiscal 2002.

The fundamentals that drive sales activity are numerous and varied. On a macro level, low unemployment and low mortgage interest rates each contribute to a positive general homebuilding market environment. Our ability to stay ahead of changing customer preferences and local demographic trends with our product mix and to maintain adequate product supply (as measured by the number of active subdivisions) contributes locally to new order trends.

Backlog: The increases in unit backlog in each of the past two fiscal years reflect the favorable homebuilding environment driving new order activity, and our ability to gain market share. The average sales price of homes in backlog increased at September 30, 2004 to \$264,400 from \$221,500 at September 30, 2003 and \$198,400 at September 30, 2002. The increase in the overall average price in backlog is due to our ability to raise prices in most markets, especially in our West and Mid-Atlantic regions, an increased percentage of homes in backlog from the higher priced West region, and our efforts in price point diversification where in some markets we are expanding our product offering to include higher priced homes.

Aggregate Sales Value of Homes in Backlog

(in thousands)

2004	\$	2,235,917
2003		1,644,814
2002		1,293,290

Average Sales Price of Homes in Backlog

(in thousands)

2004	\$	264.4
2003		221.5
2002		198.4

Seasonality and Quarterly Variability:

Our homebuilding operating cycle generally reflects escalating new order activity in our second and third fiscal quarters and increased closings in our third and fourth fiscal quarters. Fiscal 2002 results include new orders and closings for Crossmann from April 1, 2002, resulting in an increase in new orders and in closings for the third and fourth fiscal quarters. We believe that the typical seasonality reflects the preference of homebuyers to shop for a new home in the spring, as well as the scheduling of construction to accommodate seasonal weather conditions.

The following chart presents certain quarterly operating data for our last twelve fiscal quarters and is indicative of this seasonality.

New Orders

	4thQ	3rdQ	2ndQ	1stQ
2004	4,276	4,869	5,032	3,304
2003	3,862	4,734	4,579	3,141
2002	3,731	4,227	3,142	2,510

Closings

	4thQ	3rdQ	2ndQ	1stQ
2004	5,098	4,061	3,684	3,608
2003	5,014	3,616	3,297	3,482
2002	4,839	3,960	2,439	2,365

Financial Results:

The following table provides additional details of revenues and certain expenses included in our consolidated statements of operations (*in thousands*).

	Year Ended September 30,		
	2004	2003	2002
Revenues:			
Homebuilding ⁽¹⁾	\$ 3,824,142	\$ 3,097,021	\$ 2,594,910
Land and lot sales	44,702	39,069	18,051
Mortgage origination	51,140	57,152	41,006
Intercompany elimination - mortgage	(12,875)	(15,834)	(12,794)
Total revenue	\$ 3,907,109	\$ 3,177,408	\$ 2,641,173
Cost of home construction and land sales:			
Homebuilding ⁽¹⁾	\$ 3,069,976	\$ 2,515,015	\$ 2,152,757
Land and lot sales	42,631	34,854	15,452
Intercompany elimination - mortgage	(12,875)	(15,834)	(12,794)
Total cost of home construction and land sales	\$ 3,099,732	\$ 2,534,035	\$ 2,155,415
Selling, general and administrative:			
Homebuilding operations	\$ 397,601	\$ 325,657	\$ 269,655
Mortgage origination operations	31,841	30,991	22,929
Total selling, general and administrative	\$ 429,442	\$ 356,648	\$ 292,584

(1) Homebuilding revenues for fiscal 2004 reflect the recognition on a consolidated basis of \$4.1 million of revenues related to closings that occurred in fiscal 2003, but for which funding was not received until fiscal 2004. During fiscal 2003, revenues and related cost of sales were not recognized on those closings where the buyers' initial investments were not sufficient to recognize profit at the time of closing. We received funding on such closings pursuant to commitments from bond authority programs in early fiscal 2004, at which time we recognized the revenues and related cost of sales.

Revenues:

The increase in homebuilding revenues for fiscal 2004 compared to fiscal 2003 is the result of an increase in the number of homes closed and increased average sales prices in most of our markets. The increases in both closings and average sales price were driven primarily by continued strong demand in most of our markets.

The increase in homebuilding revenues for fiscal 2003 compared to fiscal 2002 is the result of an increase in the number of homes closed and increased average sales prices in most of our markets, as well as the inclusion for a full year of the Midwest region, which we entered with the acquisition of Crossmann in April 2002.

Cost of Home Construction and Land Sales:**Cost of Home Construction and Land Sales**

(in thousands)

	2004	2003	2002
Revenues	\$ 3,907,109	\$ 3,177,408	\$ 2,641,173
Cost of home construction and land sales	\$ 3,099,732	\$ 2,534,035	\$ 2,155,415
Gross Margin	20.7%	20.2%	18.4%

Gross margin increased in fiscal 2004 as compared to fiscal 2003 as a result of a strong pricing environment driven by robust demand and constraints on supply in many of our markets, combined with the realization of cost savings arising from the execution of our profit improvement initiatives. Fiscal 2004 gross margins also benefited from a higher percentage of revenues from our West and Mid-Atlantic regions, where margins are high relative to other markets. The fiscal 2004 margin improvement was achieved despite \$43.9 million in warranty expenses associated with construction defect claims from water intrusion at one of our Midwest divisions.

Gross margin increased in fiscal 2003 as compared to fiscal 2002 as a result of our ability to raise prices in most markets combined with greater emphasis on focused profit improvement initiatives, including cost reductions resulting from improved efficiency and the negotiation of national and regional supply agreements. Fiscal 2003 gross margins also benefited from a higher percentage of revenues from California, where margins are high relative to other markets, while fiscal 2002 margins were negatively impacted by purchase accounting adjustments related to the Crossmann acquisition. The fiscal 2003 margin improvement was achieved despite higher warranty expenses associated with construction defect claims from water intrusion in the Midwest and inventory write-downs in the Southeast.

We executed several land sales during the past three fiscal years. We realized gross profits of \$2.1 million, \$4.2 million, and \$2.6 million on these land sales in fiscal 2004, 2003 and 2002, respectively.

Selling, General and Administrative Expense:**Selling, General and Administrative Expense as a Percentage of Total Revenue**

2004	11.0%
2003	11.2%
2002	11.1%

During fiscal 2004, SG&A expense decreased as a percentage of revenue despite the inclusion of \$12.3 million of marketing costs associated with our national branding initiative. The decrease is due primarily to benefits from scale as we leverage our overhead infrastructure through organic revenue growth.

During fiscal 2003, SG&A expense increased slightly as a percentage of revenue due primarily to higher management bonuses for fiscal 2003, the amount of which is related to the increase in our profits rather than our increase in revenue. In addition to increased management bonuses, fiscal 2003 SG&A included marketing costs incurred in preparation for the roll out of our national branding initiative launched in early fiscal 2004.

Mortgage Origination Operations**Number of Mortgages Originated**

	2004	2003	2002
Beazer Mortgage originations	9,633	10,139	8,882
Total closings	16,151	15,409	13,603
Capture rate	59%	66%	65%

Our capture rate (Beazer Mortgage originations as a percentage of total home closings) during fiscal 2004 decreased from 2003 due primarily to increased competition for new purchase mortgages driven by a slowdown in the refinance market.

During fiscal 2003, our capture rate increased over 2002 due primarily to an improved capture rate in our Midwest region.

Our capture rate is based on total closings. Our capture rate excluding non-financed closings was approximately 63% for fiscal 2004.

Income Taxes:

Income taxes for fiscal 2004 were provided at the effective rate of 39.0%. Income taxes for fiscal 2003 were provided at the effective rate of 39.5%. Income taxes for fiscal 2002 were provided at the effective rate of 39.3% (39% for the period prior to the Crossmann acquisition and 39.5% post acquisition). The principal difference between our effective rate and the U.S. Federal statutory rate is state income taxes.

Derivative Instruments and Hedging Activities:

We are exposed to fluctuations in interest rates. We enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. We do not enter into or hold derivatives for trading or speculative purposes. During the year ended September 30, 2001 we entered into interest rate swap agreements (the "Swap Agreements") to effectively fix the variable interest rate on \$100 million of floating rate debt. The Swap Agreements mature in December 2004.

The Swap Agreements have been designated as cash flow hedges and accordingly, are recorded at fair value in our consolidated balance sheets and the related gains or losses are deferred in stockholders' equity, net of taxes, as a component of other comprehensive income. Amounts to be received or paid as a result of the Swap Agreements are accrued and recognized as adjustments to interest related to the designated debt. The net effect of this accounting on our operating results is that interest on the variable-rate debt is generally recorded based on fixed interest rates. No portion of these hedges was considered ineffective for the year ended September 30, 2004. We expect to reclassify \$610,000, net of taxes of \$354,000, from other comprehensive loss to interest expense over the next twelve months.

As a result of the Swap Agreements, we have recorded a cumulative after-tax other comprehensive loss of \$610,000 as of September 30, 2004. The estimated fair value of the Swap Agreements, based on current market rates, approximated \$1 million at September 30, 2004 and is included in other liabilities.

Financial Condition And Liquidity:

At September 30, 2004, we had cash of \$320.9 million, compared to \$73.4 million at September 30, 2003. The increase in cash was primarily due to the issuance of \$200 million of 6 1/2 % Senior Notes due 2013 and \$180 million of 4 5/8 % Senior Notes due 2024. Our net cash used in operating activities for the year ended September 30, 2004 was \$73.7 million, as increased net income and increases in accounts payable and other liabilities were offset by increased levels of inventory driven by higher year end backlog and anticipated future growth. Net cash used in investing activities was \$30.5 million for fiscal 2004 as we invested \$25.8 million in unconsolidated joint ventures to support our land acquisition strategy. Net cash provided by financing activities was \$351.7 million in fiscal 2004, as proceeds from the Senior Notes issuances discussed above were somewhat offset by common share repurchases and dividend payments of \$17.5 million and \$5.5 million, respectively.

Our net cash used in operating activities for the year ended September 30, 2003 was \$41.0 million, as increased net income and increases in accounts payable and other liabilities were offset by increased levels of inventory driven by higher year end backlog and anticipated future growth. Net cash used in investing activities was \$6.6 million for fiscal 2003. Net cash used in financing activities was \$4.0 million in fiscal 2003 as proceeds from our term loan were used to pay off our existing term loan and 8 7/8% Senior Notes due 2008 (as discussed below), and proceeds from stock option exercises offset cash used for share repurchases.

In April 2002, we acquired Crossmann Communities for approximately \$500.2 million, of which \$308.6 million was paid through the issuance of 3.9 million shares of our common stock and \$191.6 million was paid in cash. In connection with the merger, we also repaid approximately \$125.4 million of Crossmann debt, resulting in total consideration paid of \$625.6 million. The acquisition has been accounted for as a purchase and, accordingly, the purchase price has been allocated to reflect the fair value of assets and liabilities acquired. The cash portion of the acquisition and repayment of Crossmann debt was funded with the proceeds from a Senior Note offering.

At September 30, 2004 we had the following long-term debt (*in thousands*):

Debt	Due	Amount
4 5/8% Convertible Senior Notes	June 2024	\$ 180,000
6 1/2% Senior Notes	November 2013	200,000
8 3/8% Senior Notes	April 2012	350,000
8 5/8% Senior Notes	May 2011	200,000
Term Loan	June 2008	200,000
Other Notes Payable	Various Dates	22,067
Unamortized discount		(14,663)
Total		<u>\$ 1,137,404</u>

In May 2004, we amended and restated our existing bank credit facility (the "Credit Facility") to increase the banks' commitments and extend the maturity date for one year. The amended Credit Facility includes a \$550 million four-year revolving credit facility (the "Revolving Credit Facility") and a \$200 million four-year term loan (the "Term Loan"). The Revolving Credit Facility and Term Loan now mature in June 2008. The Revolving Credit Facility and the Term Loan bear interest at a fluctuating rate (3.3% at September 30, 2004) based upon LIBOR or the alternate base rate of interest announced by our lead bank. The Credit Facility contains various operating and financial covenants. Each of our significant subsidiaries is a guarantor under the Credit Facility.

We fulfill our short-term cash requirements with cash generated from our operations and funds available from our unsecured Revolving Credit Facility. Available borrowings under the Revolving Credit Facility are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable. At September 30, 2004, we had no borrowings outstanding and available borrowings of \$259.4 million under the Revolving Credit Facility.

We entered into Swap Agreements to manage interest costs and hedge against risks associated with fluctuating interest rates related to \$100 million of floating rate debt. As of September 30, 2004, we had entered into interest rate swaps to effectively fix the interest rate (before spread) on \$100 million in floating rate debt as follows: \$75 million is fixed at 5.925% per annum; \$10 million is fixed at 5.17% per annum; \$5 million is fixed at 5.50% per annum; and \$10 million is fixed at 5.055% per annum. The Swap Agreements expire in December 2004.

In June 2004, we issued \$180 million aggregate principal amount of 4 5/8% Convertible Senior Notes due 2024 (the "Convertible Senior Notes") in a private placement pursuant to Rule 144A promulgated under the Securities Act of 1933, as amended. In August 2004, we filed a registration statement on Form S-3 with the SEC covering resales of the Convertible Senior Notes and the common stock issuable upon conversion. The Convertible Senior Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). Interest on the Convertible Senior Notes is payable semiannually beginning December 2004. Beginning with the six-month interest period commencing on June 15, 2009, we will pay contingent interest during a six-month interest period if the average trading price of the notes for a five trading day reference period equals or exceeds 120% of the principal amount of the notes. The notes are convertible by holders into shares of our common stock at an initial conversion rate of 6.48 shares of Beazer Homes common stock per \$1,000 principal amount (subject to adjustment for customary reasons), representing an initial conversion price of \$154.32 per share of common stock, under the following circumstances: a) during any calendar quarter, if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% of the conversion price on such last trading day; b) subject to certain limitations, during the five consecutive trading days after any five consecutive trading days in which the trading price per \$1,000 principal amount of notes for each day of that period is less than 98% of the product of the last reported sale price of our common stock and the conversion rate of the notes on each such day, provided that if the price of our common stock issuable upon conversion is between 100% and 120% of the conversion price, holders will be entitled to receive upon conversion only the value of the principal amount of the notes converted plus accrued and unpaid interest, including contingent interest and additional amounts owed, if any, c) if the notes have been called for redemption, d) upon the occurrence of specified corporate transactions, e) during any period in which the credit rating assigned to the notes by either Moody's or S&P is lower than B1 or B+, respectively, or the notes are no longer rated by at least one of these rating services or their successors.

We may, at our option, redeem for cash the Convertible Senior Notes in whole or in part at any time on or after June 15, 2009, initially at 101.321% of the principal amount, declining to 100% of the principal amount after June 15, 2011. Holders have the right to require us to purchase all or any portion of the Convertible Senior Notes for cash on June 15, 2011, June 15, 2014 and June 15, 2019, or if we undergo a fundamental change, as defined. In each case, we will pay a purchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including contingent interest, if any, and any additional amounts owed, if any, to such purchase date.

In November 2003, we issued \$200 million 6 1/2 % Senior Notes due November 2013 (the "Original Notes") in a private placement pursuant to Rule 144A and Regulation S promulgated under the Securities Act of 1933, as amended. The Original Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). In May 2004 we completed an offer to exchange all of the outstanding Original Notes for an equal amount of 6 1/2 % Senior Notes due November 2013 (the "6 1/2 % Senior Notes"), which were registered under the Securities Act of 1933. Interest on the 6 1/2 % Senior Notes is payable semiannually. We may, at our option, redeem the 6 1/2 % Senior Notes in whole or in part at any time after November 2008, initially at 103.250% of the principal amount, declining to 100% of the principal amount after November 2011. We may redeem the 6 1/2 % Senior Notes, in whole or in part, at any time before November 2008 at a redemption price equal to the principal amount thereof plus a "make-whole" premium, plus accrued and unpaid interest. A portion of such notes may also be redeemed prior to November 2006 under certain conditions.

In April 2002, we issued \$350 million 8 3/8% Senior Notes due April 2012 (the "Original Notes") in a private placement pursuant to Rule 144A and Regulation S promulgated under the Securities Act of 1933, as amended. In September 2002, we completed an offer to exchange all of the outstanding Original Notes for an equal amount of 8 3/8 Senior Notes due 2012 (the "8 3/8% Senior Notes"), which were registered under the Securities Act of 1933. The terms of the 8 3/8% Senior Notes were substantially identical to the terms of the Original Notes. The Original Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). Interest on the 8 3/8% Senior Notes is payable semiannually. We may, at our option, redeem the 8 3/8% Senior Notes in whole or in part at any time after April 2007, initially at 104.188% of the principal amount, declining to 100% of the principal amount after April 2010. A portion of such notes may also be redeemed prior to April 2005 under certain conditions. We used the proceeds from the issuance of the 8 3/8 % Senior Notes to fund the cash portion of the Crossmann acquisition, to repay Crossmann's outstanding net indebtedness, to reduce borrowings under our revolving credit facility at the time, and to pay related fees, commissions and other expenses.

In May 2001, we issued \$200 million 8 5/8% Senior Notes due May 2011 (the "8 5/8% Senior Notes") at a price of 99.178% of their face amount (before underwriting discount and other issuance costs). Interest on the 8 5/8% Senior Notes is payable semiannually. We may, at our option, redeem the 8 5/8% Senior Notes in whole or in part at any time after May 2006, initially at 104.3125% of the principal amount, declining to 100% of the principal amount after May 2009.

During fiscal 2003, we retired our \$100 million 8 7/8% Senior Notes due in 2008 (the "8 7/8% Senior Notes"). The 8 7/8% Senior Notes were redeemed at 104.438% of the principal amount, plus accrued interest. As a result of the redemption of the 8 7/8% Senior Notes, we recorded a pre-tax charge of \$7.6 million, which includes the write off of previously capitalized fees.

The Convertible Senior Notes, the 6 1/2 % Senior Notes, the 8 3/8% Senior Notes and the 8 5/8% Senior Notes (collectively the "Senior Notes") are unsecured obligations ranking pari passu with all other existing and future senior indebtedness. All of our significant subsidiaries are full and unconditional guarantors of the Senior Notes and our obligations under the Credit Facility, and are jointly and severally liable for obligations under the Senior Notes and the Credit Facility. Each guarantor subsidiary is a 100% owned subsidiary of Beazer Homes. Neither the Credit Facility nor the Senior Notes restrict distributions to Beazer Homes by its subsidiaries. At September 30, 2004, we were in compliance with all covenants related to the Credit Facility and Senior Notes. At September 30, 2004, under the most restrictive covenants of each indenture, approximately \$289.7 million of our retained earnings were available for cash dividends and for share repurchases.

In February 2003, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to one million shares of our outstanding common stock. During fiscal 2004, we repurchased 179,800 shares for an aggregate purchase price of \$17.5 million or approximately \$98 per share pursuant to the plan. During fiscal 2003, we repurchased 128,000 shares for an aggregate purchase price of \$6.9 million or approximately \$54 per share pursuant to the plan. At September 30, 2004, we were authorized to purchase up to 692,200 additional shares pursuant to the plan. During fiscal 2002, certain officers and employees transferred to us 31,072 shares of our common stock, valued at prevailing market prices. The transfers, made to satisfy such officers' and employees' tax obligations under certain stock incentive plans, were accounted for as a stock repurchase by the Company. The Company has since discontinued the practice of allowing officers and employees to settle tax obligations through the transfer of stock to the Company.

During fiscal 2004, the Company paid quarterly cash dividends of \$0.10 per common share, or a total of approximately \$5.5 million. No dividends were paid during fiscal years 2003 or 2002.

We attempt to control half or more of our land supply through options. At September 30, 2004, we controlled 90,571 lots (a 5.5 year supply based on fiscal 2004 closings), with 42,145 lots owned and 48,426 lots under option. We expect to exercise all of our option contracts with specific performance obligations and, subject to market conditions, substantially all of our option contracts without specific performance obligations. As a result of the flexibility that these options provide us, upon a change in market conditions, we may renegotiate the terms of the options prior to their ultimate exercise.

Land Bank

	Lots	Percentage
Owned	42,145	47%
Optioned	48,426	53%
Total	90,571	100%

In January 2000, we filed a \$300 million universal shelf registration statement on Form S-3 with the Securities and Exchange Commission. Pursuant to the filing, we may, from time to time over an extended period, offer new debt or equity securities. This shelf registration allows us to expediently access capital markets periodically. Our \$200 million 8 5/8% Senior Notes were sold pursuant to this registration statement. The timing and amount of future offerings, if any, will depend on market and general business conditions.

We believe that our cash on hand and current borrowing capacity at September 30, 2004 and anticipated cash flows from operations are sufficient to meet our liquidity needs for the foreseeable future.

Off-Balance Sheet Arrangements and Aggregate Contractual Commitments:

We acquire certain lots by means of option contracts. Option contracts generally require the payment of cash for the right to acquire lots during a specified period of time at a certain price. Under option contracts, both with and without specific performance provisions, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our obligation with respect to options with specific performance provisions is included on our consolidated balance sheets in other liabilities. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately \$180.7 million at September 30, 2004. This amount includes letters of credit of approximately \$57.8 million. Below is a summary of amounts, net of cash deposits, committed under all options at September 30, 2004 (*in thousands*):

	Aggregate Exercise Price of Options
Options with specific performance	\$ 28,184
Options without specific performance	1,763,158
Total options	<u>\$ 1,791,342</u>

We expect to exercise all of our option contracts with specific performance obligations and, subject to market conditions, substantially all of our option contracts without specific performance obligations. Various factors, some of which are beyond our control, such as market conditions, weather conditions and the timing of the completion of development activities, can have a significant impact on the timing of option exercises. Under their current terms, and assuming no significant changes in market conditions or other factors, we expect to exercise our land options as follows (*in thousands*):

Year Ending September 30,	
2005	\$ 397,314
2006	583,068
Thereafter	<u>810,960</u>
Total	<u>\$ 1,791,342</u>

We have historically funded the exercise of land options through a combination of operating cash flows and borrowings under our Revolving Credit Facility. We expect these sources to continue to be adequate to fund anticipated future option exercises. Therefore, we do not anticipate that the exercise of our land options will have a material adverse effect on our liquidity.

Certain of our option contracts are with sellers who are deemed to be Variable Interest Entities ("VIE"s) under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"). FIN 46 defines a VIE as an entity with insufficient equity investment to finance its planned activities without additional financial support or an entity in which the equity investors lack certain characteristics of a controlling financial interest. Pursuant to FIN 46, an enterprise that absorbs a majority of the expected losses or receives a majority of the expected residual returns of a VIE is deemed to be the primary beneficiary of the VIE and must consolidate the VIE.

We have determined that we are the primary beneficiary of certain of these option contracts. Our risk is generally limited to the option deposits that we pay, and creditors of the sellers generally have no recourse to the general credit of the Company. Although we do not have legal title to the optioned land, for those option contracts for which we are the primary beneficiary, we are required to consolidate the land under option at fair value. We believe that the exercise prices of our option contracts approximate their fair value. Our consolidated balance sheets at September 30, 2004 and 2003 reflect consolidated inventory not owned of \$254.8 million and \$35.7 million, respectively. Obligations related to consolidated inventory not owned totaled \$219.0 million at September 30, 2004 and \$30.5 million at September 30, 2003. The difference between the balances of consolidated inventory not owned and obligations related to consolidated inventory not owned represents cash deposits paid under the option agreements. The increase in consolidated inventory not owned and the related obligations is due primarily to the transition provisions of FIN 46, which applied immediately to VIEs created after January 31, 2003 and with respect to variable interests held before February 1, 2003 applied beginning with our quarter ended March 31, 2004. The above disclosures of amounts committed under options include our obligations related to consolidated inventory not owned.

We participate in a number of land development joint ventures in which we have less than a controlling interest. We enter into joint ventures in order to acquire attractive land positions, to manage our risk profile and to leverage our capital base. Our joint ventures are typically entered into with developers and other homebuilders to develop finished lots for sale to the joint venture's members and other third parties. We account for our interest in these joint ventures under the equity method. Our consolidated balance sheets include investments in joint ventures totaling \$44.7 million and \$26.6 million at September 30, 2004 and 2003 respectively.

Our joint ventures typically obtain secured acquisition, development and construction financing. At September 30, 2004, our unconsolidated joint ventures had borrowings outstanding totaling \$128.1 million. In some instances, we and our joint venture partners have provided varying levels of guarantees of debt of our unconsolidated joint ventures. At September 30, 2004, we had repayment guarantees of \$10 million and loan-to-value maintenance guarantees of \$56.8 million of debt of unconsolidated joint ventures. Repayment guarantees require us to repay our share of debt of unconsolidated joint ventures in the event the joint venture defaults on its obligations under the borrowings. Loan-to-value maintenance guarantees require us to repay our share of the venture's borrowings to the extent such borrowings exceed a specified percentage of the value of the property securing the loan.

The following summarizes our aggregate contractual commitments at September 30, 2004:

Contractual Obligations	Payments Due by Period (in Thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt ⁽¹⁾	\$ 1,782,457	\$ 92,479	\$ 153,281	\$ 340,744	\$ 1,195,953
Capital Lease Obligations	-	-	-	-	-
Operating Leases	41,133	10,462	16,145	10,020	4,506
Purchase Obligations ⁽²⁾	28,184	8,809	17,698	1,677	-
Other Long-Term Liabilities	-	-	-	-	-
Total	\$ 1,851,774	\$ 111,750	\$ 187,124	\$ 352,441	\$ 1,200,459

(1) Represents our Senior Notes, Term Loan and Other Notes Payable, and related interest payments. Interest on variable rate obligations is based on rates effective as of September 30, 2004.

(2) Represents obligations under option contracts with specific performance provisions, net of cash deposits.

We had outstanding letters of credit and performance bonds of approximately \$45.9 million and \$351.3 million, respectively, at September 30, 2004 related principally to our obligations to local governments to construct roads and other improvements in various developments in addition to the letters of credit of approximately \$57.8 million relating to our land option contracts discussed above. We do not believe that any such letters of credit or bonds are likely to be drawn upon.

Recent Accounting Pronouncements:

In September 2004, the Emerging Issues Task Force (“EITF”) of the Financial Accounting Standards Board (“FASB”) reached a consensus on EITF Issue No. 04-8: “The Effect of Contingently Convertible Debt on Diluted Earnings Per Share” (“EITF 04-8”). The consensus was ratified by the FASB in October 2004. EITF 04-8 requires that shares issuable upon conversion of contingently convertible debt instruments (“Co-Cos”) be included in diluted earnings per share computations using the “if-converted method” regardless of whether the issuer’s stock price exceeds the contingent conversion price. Prior to EITF 04-8, shares issuable upon conversion of CoCos were generally excluded from diluted earnings per share computations until the issuer’s stock price exceeded the contingent conversion price. EITF 04-8, which applies to our 4 5/8 % Convertible Senior Notes issued in June 2004, is expected to be effective for reporting periods ending on or after December 15, 2004, the first quarter of our fiscal 2005. Restatement of prior period earnings per share amounts presented for comparative purposes will be required. If we had reported fiscal 2004 diluted earnings per share under EITF 04-8, we would have reported earnings of \$16.77 per diluted share, as compared to reported earnings of \$17.09 per diluted share.

Outlook:

Absent any unanticipated adverse changes, our outlook for fiscal 2005 diluted earnings per share is in the range of \$20.00 - \$21.00 per share. This outlook reflects inclusion of 1,166,400 shares issuable upon conversion of the Company’s convertible Senior Notes in the calculation of diluted earnings per share for fiscal 2005, in accordance with the EITF 04-8 “The Effect of Contingently Convertible Debt on Diluted Earnings per Share,” which is currently expected to be effective for reporting periods ending after December 15, 2004.

Disclosure Regarding Forward-Looking Statements:

This annual report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent our expectations or beliefs concerning future events, and it is possible that the results described in this annual report will not 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,” “goal,” “target” or other similar words or phrases. All forward-looking statements are based upon information available to us on the date of this annual report. Except as may be required under applicable law, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the matters discussed in this annual report in the sections captioned "Outlook" and "Financial Condition and Liquidity." Additional information about factors that could lead to material changes in performance is contained in our filings with the Securities and Exchange Commission. Such factors may include:

- economic changes nationally or in our local markets;
- volatility of mortgage interest rates and inflation;
- increased competition;
- shortages of skilled labor or raw materials used in the production of houses;
- increased prices for labor, land and raw materials used in the production of houses;
- increased land development costs on projects under development;
- the cost and availability of insurance, including the availability of insurance for the presence of mold;
- the impact of construction defect and home warranty claims;
- any delays in reacting to changing consumer preference in home design;
- terrorist acts and other acts of war;
- changes in consumer confidence;
- delays or difficulties in implementing initiatives to reduce our production and overhead cost structure;
- delays in land development or home construction resulting from adverse weather conditions;
- potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations, or governmental policies;
- changes in accounting policies, standards, guidelines or principles, as may be adopted by regulatory agencies as well as the Financial Accounting Standards Board;
- the failure of our improvement plan for the Midwest to achieve desired results; or
- other factors over which we have little or no control.

Any forward-looking statement 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 for management to predict all such factors.

Item 7(a). 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 cash flows or earnings. During fiscal 2001, we entered into interest rate Swap Agreements with an aggregate notional amount of \$100 million to manage our exposure to fluctuations in interest rates on \$100 million of variable rate debt. These swaps effectively fix the rate on this debt at 5.74%. We do not enter into or hold derivatives for trading or speculative purposes.

We have formally designated these agreements as cash flow hedges as discussed in Note 3 of the consolidated financial statements. The estimated fair value of the Swap Agreements, based on current market rates, was approximately \$1million at September 30, 2004 and is included in other liabilities.

The estimated fair value of our fixed rate debt at September 30, 2004 was \$1,010.2 million, compared to a carrying value of \$915.3 million. In addition, the effect of a hypothetical one percentage point decrease in interest rates would increase the estimated fair value of the fixed rate debt instruments from \$1,010.2 million to \$1,079.5 million at September 30, 2004.

Item 8. Financial Statements and Supplementary Data

Beazer Homes USA, Inc.
Consolidated Statements of Income
(in thousands, except per share amounts)

	Year Ended September 30,		
	2004	2003	2002
Total revenue	\$ 3,907,109	\$ 3,177,408	\$ 2,641,173
Costs and expenses:			
Home construction and land sales	3,099,732	2,534,035	2,155,415
Selling, general and administrative	429,442	356,648	292,584
Expenses related to retirement of debt	-	7,570	-
Operating income	377,935	279,155	193,174
Equity in earnings of unconsolidated joint ventures	1,561	1,597	2,338
Other income, net	7,079	4,777	6,547
Income before income taxes	386,575	285,529	202,059
Provision for income taxes	150,764	112,784	79,425
Net income	<u>\$ 235,811</u>	<u>\$ 172,745</u>	<u>\$ 122,634</u>
Weighted average number of shares:			
Basic	13,293	12,886	10,535
Diluted	13,801	13,514	11,415
Earnings per share:			
Basic	\$ 17.74	\$ 13.41	\$ 11.64
Diluted	\$ 17.09	\$ 12.78	\$ 10.74
Cash dividends per share:	\$ 0.40	\$ -	\$ -

See Notes to Consolidated Financial Statements

Beazer Homes USA, Inc.
Consolidated Balance Sheets
(dollars in thousands, except per share amounts)

	September 30,	
	2004	2003
ASSETS		
Cash and cash equivalents	\$ 320,880	\$ 73,372
Accounts receivable	70,574	66,003
Inventory		
Owned inventory	2,089,330	1,687,809
Consolidated inventory not owned	254,765	35,674
Total inventory	2,344,095	1,723,483
Investments in and advances to unconsolidated joint ventures	44,748	26,569
Deferred tax asset	47,052	26,160
Property, plant and equipment, net	24,671	19,185
Goodwill	251,603	251,603
Other assets	45,839	25,659
Total Assets	<u>\$ 3,149,462</u>	<u>\$ 2,212,034</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	\$ 123,287	\$ 125,521
Other liabilities	437,608	320,996
Obligations related to consolidated inventory not owned	219,042	30,457
Term Loan	200,000	200,000
Senior Notes (net of discount of \$14,663 and \$8,635 respectively)	915,337	541,365
Other Notes Payable	22,067	-
Total Liabilities	<u>1,917,341</u>	<u>1,218,339</u>
Stockholders' Equity:		
Preferred stock (par value \$.01 per share, 5,000,000 shares authorized, no shares issued)	-	-
Common stock (par value \$.01 per share, 30,000,000 shares authorized, 17,868,349 and 17,501,052 issued, 13,730,473 and 13,542,976 outstanding)	179	175
Paid in capital	593,749	572,070
Retained earnings	741,701	511,349
Treasury stock, at cost (4,137,876 and 3,958,076 shares)	(88,150)	(70,604)
Unearned restricted stock	(14,748)	(15,852)
Accumulated other comprehensive loss	(610)	(3,443)
Total Stockholders' Equity	<u>1,232,121</u>	<u>993,695</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,149,462</u>	<u>\$ 2,212,034</u>

See Notes to Consolidated Financial Statements

Beazer Homes USA, Inc.
Consolidated Statement of Stockholders' Equity
(dollars in thousands)

	Preferred Stock	Common Stock	Paid in Capital	Retained Earnings	Treasury Stock	Unearned Restricted Stock	Accumulated Other Comprehensive Loss	Total
Balance, September 30, 2001	\$ -	\$ 124	\$ 202,121	\$ 215,970	\$ (61,510)	\$ (2,027)	\$ (3,483)	\$ 351,195
Comprehensive income:								
Net income				122,634				122,634
Unrealized loss on interest rate swaps, net of tax of \$845							(1,294)	(1,294)
Total comprehensive income								121,340
Amortization of unearned restricted stock						2,365		2,365
Exercises of stock options (298,907 shares)		3	5,159					5,162
Issuance of Bonus Stock (53,328 shares)		1	813					814
Tax benefit from stock transactions			12,235					12,235
Issuance of restricted stock (79,337 shares)			6,281			(6,281)		-
Stock issued for Crossmann acquisition (3,8571,166 shares)		39	308,534					308,573
Purchase of treasury stock (31,072 shares)					(2,169)			(2,169)
Other			317			(317)		-
Balance, September 30, 2002	\$ -	\$ 167	\$ 535,460	\$ 338,604	\$ (63,679)	\$ (6,260)	\$ (4,777)	\$ 799,515
Comprehensive income:								
Net income				172,745				172,745
Unrealized gain on interest rate swaps, net of tax of \$871							1,334	1,334
Total comprehensive income								174,079
Amortization of unearned restricted stock						3,984		3,984
Exercises of stock options (462,506 shares)		6	9,799					9,805
Issuance of Bonus Stock (97,231 shares)			1,735					1,735
Tax benefit from stock transactions			11,502					11,502
Issuance of restricted stock (215,642 shares)		2	13,280			(13,282)		-
Purchase of treasury stock (128,000)					(6,925)			(6,925)
Other			294			(294)		-
Balance, September 30, 2003	\$ -	\$ 175	\$ 572,070	\$ 511,349	\$ (70,604)	\$ (15,852)	\$ (3,443)	\$ 993,695
Comprehensive income:								
Net income				235,811				235,811
Unrealized gain on interest rate swaps, net of tax of \$1,849							2,833	2,833
Total comprehensive income								238,644
Dividends Paid				(5,459)				(5,459)
Amortization of unearned restricted stock						7,381		7,381
Change in fair value of unearned compensation			753			(753)		-
Exercises of stock options (259,467 shares)		3	5,359					5,362
Tax benefit from stock transactions			8,127					8,127
Issuance of Bonus Stock (68,137 shares)		1	1,916					1,917
Issuance of restricted stock (39,693 shares)			4,736			(4,736)		-
Purchase of treasury stock (179,800 shares)					(17,546)			(17,546)
Other			788			(788)		-
Balance, September 30, 2004	\$ -	\$ 179	\$ 593,749	\$ 741,701	\$ (88,150)	\$ (14,748)	\$ (610)	\$ 1,232,121

See Notes to Consolidated Financial Statements

Beazer Homes USA, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended September 30,		
	2004	2003	2002
Cash flows from operating activities:			
Net income	\$ 235,811	\$ 172,745	\$ 122,634
Adjustments to reconcile net income to net cash provided/(used) by operating activities:			
Depreciation and amortization	15,755	13,220	9,453
Loss on extinguishment of debt	-	7,570	-
Deferred income tax provision (benefit)	(22,740)	87	(6,613)
Tax benefit from stock transactions	8,127	11,502	12,235
Equity in earnings of unconsolidated joint ventures	(1,561)	(1,597)	(2,338)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Increase in accounts receivable	(4,571)	(11,674)	(13,601)
Increase in inventory	(410,525)	(328,893)	(152,990)
Decrease/(increase) in other assets	(16,828)	(1,431)	17,949
Increase/(decrease) in trade accounts payable	(2,234)	16,967	23,481
Increase in other liabilities	123,210	79,257	48,300
Other changes	1,837	1,198	954
Net cash provided/(used) by operating activities	<u>(73,719)</u>	<u>(41,049)</u>	<u>59,464</u>
Cash flows from investing activities:			
Capital expenditures	(10,271)	(9,325)	(8,213)
Proceeds from sale of fixed assets	-	-	4,800
Investments in unconsolidated joint ventures	(25,844)	(4,941)	(3,146)
Distributions from and proceeds from sale of unconsolidated joint ventures	5,639	7,714	12,736
Acquisitions, net of cash acquired	-	-	(320,810)
Net cash used by investing activities	<u>(30,476)</u>	<u>(6,552)</u>	<u>(314,633)</u>
Cash flows from financing activities:			
Proceeds from Term Loan	200,000	200,000	-
Repayment of Term Loan	(200,000)	(100,000)	-
Redemption of 8 7/8% Senior Notes	-	(104,438)	-
Proceeds from issuance of 8 3/8% Senior Notes	-	-	343,000
Proceeds from issuance of 6 1/2% Senior Notes	198,100	-	-
Proceeds from issuance of 4 5/8% Convertible Senior Notes	174,600	-	-
Debt issuance costs	(3,354)	(2,458)	(7,513)
Proceeds from stock option exercises	5,362	9,805	5,162
Common share repurchases	(17,546)	(6,925)	(2,169)
Dividends paid	(5,459)	-	-
Net cash provided/(used) by financing activities	<u>351,703</u>	<u>(4,016)</u>	<u>338,480</u>
Increase/(decrease) in cash and cash equivalents	247,508	(51,617)	83,311
Cash and cash equivalents at beginning of year	73,372	124,989	41,678
Cash and cash equivalents at end of year	<u>\$ 320,880</u>	<u>\$ 73,372</u>	<u>\$ 124,989</u>
Supplemental cash flow information:			
Interest paid	\$ 65,237	\$ 67,580	\$ 37,178
Income taxes paid	\$ 170,475	\$ 77,904	\$ 81,534
Supplemental disclosure of non-cash activity:			
Issuance of common stock related to acquisition	\$ -	\$ -	\$ 308,573
Consolidated inventory not owned	\$ 188,585	\$ 30,457	\$ -
Land acquired through issuance of notes payable	\$ 21,502	\$ -	\$ -

See Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Organization- Beazer Homes USA, Inc. is one of the ten largest homebuilders in the United States based on number of homes closed. We design, sell and build primarily single-family homes in over 35 markets located in Arizona, California, Colorado, Delaware, Florida, Georgia, Indiana, Kentucky, Maryland, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and West Virginia. We also provide mortgage origination services for our homebuyers through Beazer Mortgage Corporation, or Beazer Mortgage. In addition, we provide title services to our homebuyers in many of our markets.

Presentation - Our homebuilding operations conducted across several geographic regions of the United States have similar characteristics; therefore, they have been aggregated into one reportable segment—the homebuilding segment.

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

Cash and Cash Equivalents -- We consider investments with maturities of three months or less when purchased to be cash equivalents.

Inventory - Owned inventory consists solely of residential real estate developments. Interest, real estate taxes and development costs are capitalized in inventory during the development and construction period. Sold units are expensed on a specific identification basis or on a relative sales value basis as cost of sales. Consolidated inventory not owned represents the fair value of land under option agreements consolidated pursuant to Financial Accounting Standards Board (“FASB”) Interpretation No. 46.

Investments in and Advances to Unconsolidated Joint Ventures - We participate in a number of land development joint ventures in which we have less than a controlling interest. Our joint ventures are typically entered into with developers and other homebuilders to develop finished lots for sale to the joint venture’s members and other third parties. We account for our interest in these joint ventures under the equity method. We recognize our share of profits from the sale of lots to other buyers. Our share of profits from lots we purchase from the joint ventures are deferred and treated as a reduction of the cost of the land purchased from the joint venture. Such profits are subsequently recognized at the time the home closes and title passes to the homebuyer.

Our joint ventures typically obtain secured acquisition, development and construction financing. At September 30, 2004, our unconsolidated joint ventures had borrowings outstanding totaling \$128.1 million. In some instances, we and our joint venture partners have provided varying levels of guarantees of debt of our unconsolidated joint ventures. At September 30, 2004, we had repayment guarantees of \$10 million and loan-to-value maintenance guarantees of \$56.8 million of debt of unconsolidated joint ventures. Repayment guarantees require us to repay our share of debt of unconsolidated joint ventures in the event the joint venture defaults on its obligations under the borrowings. Loan-to-value maintenance guarantees require us to repay our share of the venture’s borrowings to the extent such borrowings exceed a specified percentage of the value of the property securing the loan.

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

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

Impairment of Long Lived Assets - Housing projects and unimproved land held for future development (components of inventory) and property, plant and equipment are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Goodwill - Goodwill represents the excess of the purchase price over the fair value of assets acquired. We test goodwill for impairment annually, or more frequently if an event occurs or circumstances change that more likely than not reduce the value of a reporting unit below its carrying value. For purposes of goodwill impairment testing, we compare the fair value of each reporting unit with its carrying amount, including goodwill. Each of our operating divisions is considered a reporting unit. The fair value of each reporting unit is determined based on expected discounted future cash flows. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered impaired. If goodwill is considered impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the goodwill exceeds implied fair value of that goodwill. We performed our annual impairment test of goodwill as of April 30, 2004. For purposes of our annual goodwill impairment test, we obtained independent valuations of our reporting units. Based on comparison of those independent valuations to the carrying values of our reporting units at April 30, 2004, we determined that goodwill was not impaired.

Other Assets - Other assets include prepaid expenses, debt issuance costs and deferred compensation plan assets.

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

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

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

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

Estimated future warranty costs are charged to cost of sales in the period when the revenues from home closings are recognized. Such estimated warranty costs generally range from 0.5% to 1.0% of total revenue. Additional warranty costs are charged to cost of sales as necessary based on management's estimate of the costs to remediate existing claims. See Note 14 for a more detailed discussion of warranty costs and related reserves.

Advertising costs of \$44,696,000, \$34,775,000, and \$28,237,000 for fiscal years 2004, 2003 and 2002, respectively, are expensed as incurred.

Earnings Per Share - The computation of basic earnings per common share is determined by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share additionally gives effect (when dilutive) to stock options and other stock based awards and other potentially dilutive securities.

Fair Value of Financial Instruments - The historical carrying amount of cash and cash equivalents and our Term Loan are reasonable estimates of their fair value. The fair value of our publicly held Senior Notes (Note 8) is estimated based on the quoted bid prices for these debt instruments and was approximately \$1,010.2 million at September 30, 2004 and \$593.0 million at September 30, 2003. The fair values of our interest rate swaps, based on current rates, approximated \$1.0 million at September 30, 2004 and \$5.6 million at September 30, 2003, and is included in other liabilities.

Stock-based Compensation - We account for stock awards granted to employees under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No compensation expense is recognized for stock options granted to employees because all stock options granted have exercise prices not less than the market value of our stock on the date of the grant. Restricted stock granted to employees is valued based on the market price of the common stock on the date of the grant.

We account for stock awards issued to non-employees under the recognition and measurement principles of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" and emerging Issues Task Force Issue No. 96-18: "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." Stock options issued to non-employees are valued using the Black-Scholes option pricing model. Restricted stock granted to non-employees is initially valued based on the market price of the common stock on the date of the grant.

Unearned compensation arising from the restricted stock granted to employees and from non-employee stock awards is amortized to expense using the straight-line method over the period of the restrictions. The balance of unearned compensation related to non-employee awards is adjusted on a quarterly basis to reflect changes in the market value of Beazer Homes' common stock. Unearned compensation is shown as a reduction of stockholders' equity in the consolidated balance sheets.

The following table illustrates the effect (in thousands, except per share amounts) on net earnings and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure," to stock-based employee compensation:

	2004	Year Ended September 30, 2003	2002
Net income, as reported	\$ 235,811	\$ 172,745	\$ 122,634
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	4,503	2,410	1,443
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(7,521)	(5,409)	(3,057)
Pro forma net income	\$ 232,793	\$ 169,746	\$ 121,020
Earnings per share:			
Basic - as reported	\$ 17.74	\$ 13.41	\$ 11.64
Basic - pro forma	\$ 17.51	\$ 13.17	\$ 11.49
Diluted - as reported	\$ 17.09	\$ 12.78	\$ 10.74
Diluted - pro forma	\$ 16.97	\$ 12.65	\$ 10.66

The weighted average fair value of each option granted during the years ended September 30, 2004, 2003, and 2002 was \$40.81, \$32.89 and \$38.30, respectively. The fair values of options granted were estimated on the date of their grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2004	2003	2002
Expected volatility	44.14%	46.70%	40.70%
Expected dividend yield	0.40%	none	none
Risk-free interest rate	3.13%	3.60%	4.90%
Expected life (in years)	5.0	7.0	7.0

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

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

Recent Accounting Pronouncements - In September 2004, the Emerging Issues Task Force (“EITF”) of the FASB reached a consensus on EITF Issue No. 04-8: “The Effect of Contingently Convertible Debt on Diluted Earnings Per Share” (“EITF 04-8”). The consensus was ratified by the FASB in October 2004. EITF 04-8 requires that shares issuable upon conversion of contingently convertible debt instruments (“Co-Cos”) be included in diluted earnings per share computations using the “if-converted method” regardless of whether the issuer’s stock price exceeds the contingent conversion price. Prior to EITF 04-8, shares issuable upon conversion of CoCos were generally excluded from diluted earnings per share computations until the issuer’s stock price exceeded the contingent conversion price. EITF 04-8, which applies to our 4 5/8 % Convertible Senior Notes issued in June 2004, is expected to be effective for reporting periods ending on or after December 15, 2004, the first quarter of our fiscal 2005. Restatement of prior period earnings per share amounts presented for comparative purposes will be required. If we had reported fiscal 2004 diluted earnings per share under EITF 04-8, we would have reported earnings of \$16.77 per diluted share, as compared to reported earnings of \$17.09 per diluted share.

(2) Acquisitions

Effective April 17, 2002, Beazer Homes acquired Crossmann Communities, Inc. (“Crossmann”). Crossmann built single-family homes in Indiana - its home base - with operations in Kentucky, Mississippi, North Carolina, Ohio, South Carolina and Tennessee. This acquisition represented our entry into the Midwest region and strengthened our focus on the first-time homebuyer segment. We have included Crossmann’s operating results in our consolidated financial statements since April 1, 2002.

The aggregate merger consideration we paid totaled approximately \$500.2 million and consisted of approximately 3.9 million shares of Beazer Homes common stock (approximately \$308.6 million) and approximately \$191.6 million in cash. In connection with the merger, we also repaid approximately \$125.4 million of Crossmann debt, resulting in total consideration paid of \$625.6 million. The cash portion of the merger consideration and the repayment of Crossmann debt upon the merger were funded from net proceeds of our issuance of \$350 million 8 3/8% Senior Notes due 2012 in a private placement on April 17, 2002.

The acquisition was accounted for as a purchase; accordingly, the purchase price was allocated to reflect the fair value of assets and liabilities acquired. Under this method, Crossmann assets acquired and liabilities assumed were recorded on our balance sheet at their fair market value as of April 1, 2002. This resulted in an inventory write-up to fair value of \$26.9 million and a write-down of fixed assets to fair value of \$1.1 million. This acquisition resulted in approximately \$239.9 million of goodwill, none of which is deductible for income tax purposes.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Inventory	\$	357,801
Property, plant and equipment, net		9,085
Goodwill		239,919
Other assets		61,722
Total assets acquired	\$	668,527
Accounts payable and accrued liabilities	\$	31,455
Revolving credit facility		59,600
Other debt		63,641
Total liabilities assumed		154,696
Net assets acquired	\$	513,831

The following unaudited pro forma financial data (in thousands, except per share amounts) gives effect to our acquisition of Crossmann as if it had occurred on the first day of fiscal 2002 (the year of acquisition). The pro forma financial data is provided for comparative purposes only and is not necessarily indicative of the results that would have been obtained if the acquisition had been effected at that date.

	Year Ended	
	September 30, 2002	
Total revenues	\$	3,046,841
Net income	\$	141,753
Net income per share:		
Basic	\$	11.37
Diluted	\$	10.62

(3) Derivative Instruments and Hedging Activities

We are exposed to fluctuations in interest rates. We enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. We do not enter into or hold derivatives for trading or speculative purposes. During the year ended September 30, 2001, we entered into interest rate swap agreements (the "Swap Agreements") to effectively fix the variable interest rate on \$100 million of floating rate debt. The Swap Agreements mature in December 2004.

The Swap Agreements have been designated as cash flow hedges and accordingly, are recorded at fair value in our consolidated balance sheets and the related gains or losses are deferred in stockholders' equity, net of taxes, as a component of other comprehensive income. Amounts to be received or paid as a result of the Swap Agreements are accrued and recognized as adjustments to interest related to the designated debt. The net effect of this accounting on our operating results is that interest on the variable-rate debt is generally recorded based on fixed interest rates. No portion of these hedges was considered ineffective for the year ended September 30, 2004. We expect to reclassify approximately \$610,000, net of taxes of \$354,000, from other comprehensive loss to interest expense over the next twelve months.

As a result of the Swap Agreements, we have recorded a cumulative after-tax other comprehensive loss of \$610,000 as of September 30, 2004. The estimated fair value of the Swap Agreements, based on current market rates, approximated \$1 million at September 30, 2004 and is included in other liabilities.

(4) Inventory

Inventory consists of (in thousands):

	September 30,	
	2004	2003
Homes under construction.	\$ 847,517	\$ 658,909
Development projects in progress	1,105,933	919,257
Unimproved land held for future development	57,563	33,583
Model homes	78,317	76,060
Consolidated inventory not owned	254,765	35,674
	<u>\$ 2,344,095</u>	<u>\$ 1,723,483</u>

Homes under construction include homes finished and ready for delivery and homes in various stages of construction. We had 345 (\$69.1 million) and 362 (\$58.3 million) completed homes that were not subject to a sales contract, not including model homes, at September 30, 2004, and 2003, respectively.

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

Inventory located in California, the state with our largest concentration of inventory, was \$400.6 million and \$323.8 million at September 30, 2004, and 2003, respectively.

We acquire certain lots by means of option contracts. Option contracts generally require the payment of cash for the right to acquire lots during a specified period of time at a certain price. Under option contracts, both with and without specific performance provisions, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our obligation with respect to options with specific performance provisions is included on our consolidated balance sheets in other liabilities. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately \$180.7 million at September 30, 2004. This amount includes letters of credit of approximately \$57.8 million. Below is a summary of amounts, net of cash deposits, committed under all options at September 30, 2004 (in thousands):

	Aggregate Exercise Price of Options
Options with specific performance	\$ 28,184
Options without specific performance	1,763,158
Total options	\$ 1,791,342

We expect to exercise all of our option contracts with specific performance obligations and, subject to market conditions, substantially all of our option contracts without specific performance obligations. Various factors, some of which are beyond our control, such as market conditions, weather conditions and the timing of the completion of development activities, can have a significant impact on the timing of option exercises. Under their current terms, and assuming no significant changes in market conditions or other factors, we expect to exercise our land options as follows (in thousands):

Year Ending September 30,	
2005	\$ 397,314
2006	583,068
Thereafter	810,960
Total	\$ 1,791,342

Certain of our option contracts are with sellers who are deemed to be Variable Interest Entities ("VIEs") under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"). FIN 46 defines a VIE as an entity with insufficient equity investment to finance its planned activities without additional financial support or an entity in which the equity investors lack certain characteristics of a controlling financial interest. Pursuant to FIN 46, an enterprise that absorbs a majority of the expected losses or receives a majority of the expected residual returns of a VIE is deemed to be the primary beneficiary of the VIE and must consolidate the VIE.

We have determined that we are the primary beneficiary of certain of these option contracts. Our risk is generally limited to the option deposits that we pay, and creditors of the sellers generally have no recourse to the general credit of the Company. Although we do not have legal title to the optioned land, for those option contracts for which we are the primary beneficiary, we are required to consolidate the land under option at fair value. We believe that the exercise prices of our option contracts approximate their fair value. Our consolidated balance sheets at September 30, 2004 and 2003 reflect consolidated inventory not owned of \$254.8 million and \$35.7 million, respectively. Obligations related to consolidated inventory not owned totaled \$219.0 million at September 30, 2004 and \$30.5 million at September 30, 2003. The difference between the balances of consolidated inventory not owned and obligations related to consolidated inventory not owned represents cash deposits paid under the option agreements. The increase in consolidated inventory not owned and the related obligations is due primarily to the transition provisions of FIN 46, which applied immediately to VIEs created after January 31, 2003 and with respect to variable interests held before February 1, 2003 applied beginning with our quarter ended March 31, 2004. The above disclosures of amounts committed under options include our obligations related to consolidated inventory not owned.

(5) Interest

Information regarding interest (*in thousands*) is as follows:

	Year Ended September 30,		
	2004	2003	2002
Capitalized interest in inventory,			
beginning of year	\$ 34,285	\$ 24,441	\$ 16,271
Interest incurred and capitalized	76,035	65,295	51,171
Capitalized interest amortized			
to cost of sales	(66,199)	(55,451)	(43,001)
Capitalized interest in inventory,			
End of the year	<u>\$ 44,121</u>	<u>\$ 34,285</u>	<u>\$ 24,441</u>

(6) Property, Plant and Equipment

Property, plant and equipment consists of (*in thousands*):

	September 30,	
	2004	2003
Land and buildings	\$ 5,464	\$ 1,011
Leasehold improvements	7,100	5,429
Machinery and equipment	20,459	18,954
Information systems	17,226	14,608
Furniture and fixtures	13,307	13,960
	<u>63,556</u>	<u>53,962</u>
Less: Accumulated depreciation	(38,885)	(34,777)
Property, plant and equipment, net	<u>\$ 24,671</u>	<u>\$ 19,185</u>

(7) Credit Facility

In May 2004 we amended and restated our existing bank credit facility (the "Credit Facility") to increase the banks' commitments and extend the maturity date for one year. The amended Credit Facility includes a \$550 million four-year revolving credit facility (the "Revolving Credit Facility") and a \$200 million four-year term loan (the "Term Loan"). The Revolving Credit Facility and Term Loan now mature in June 2008. The Revolving Credit Facility and the Term Loan bear interest at a fluctuating rate (3.3% at September 30, 2004) based upon LIBOR or the alternate base rate of interest announced by our lead bank. The Credit Facility contains various operating and financial covenants. Each of our significant subsidiaries is a guarantor under the Credit Facility.

Available borrowings under the Revolving Credit Facility are limited to certain percentages of homes under contract, unsold homes, substantially improved lots and accounts receivable. At September 30, 2004 we had no borrowings outstanding, and had available borrowings of \$259.4 million under the Revolving Credit Facility.

As discussed in Note 3, we entered into Swap Agreements to manage interest costs and hedge against risks associated with fluctuating interest rates related to \$100 million of floating rate debt. As of September 30, 2004, we had entered into interest rate swaps to effectively fix the interest rate (before spread) on \$100 million in floating rate debt as follows: \$75 million is fixed at 5.925% per annum; \$10 million is fixed at 5.17% per annum; \$5 million is fixed at 5.50% per annum; and \$10 million is fixed at 5.055% per annum. The Swap Agreements expire in December 2004.

(8) Senior Notes

In June 2004, we issued \$180 million aggregate principal amount of 4 5/8% Convertible Senior Notes due 2024 (the "Convertible Senior Notes") in a private placement pursuant to Rule 144A promulgated under the Securities Act of 1933, as amended. In August 2004 we filed a registration statement on Form S-3 with the SEC covering resales of the Convertible Senior Notes and the common stock issuable upon conversion. The Convertible Senior Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). Interest on the Convertible Senior Notes is payable semiannually beginning December 2004. Beginning with the six-month interest period commencing on June 15, 2009, we will pay contingent interest during a six-month interest period if the average trading price of the notes for a five trading day reference period equals or exceeds 120% of the principal amount of the notes. The notes are convertible by holders into shares of our common stock at an initial conversion rate of 6.48 shares of Beazer Homes common stock per \$1,000 principal amount (subject to adjustment for customary reasons), representing an initial conversion price of \$154.32 per share of common stock, under the following circumstances: a) during any calendar quarter, if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% of the conversion price on such last trading day; b) subject to certain limitations, during the five consecutive trading days after any five consecutive trading days in which the trading price per \$1,000 principal amount of notes for each day of that period is less than 98% of the product of the last reported sale price of our common stock and the conversion rate of the notes on each such day, provided that if the price of our common stock issuable upon conversion is between 100% and 120% of the conversion price, holders will be entitled to receive upon conversion only the value of the principal amount of the notes converted plus accrued and unpaid interest, including contingent interest and additional amounts owed, if any, c) if the notes have been called for redemption, d) upon the occurrence of specified corporate transactions, e) during any period in which the credit rating assigned to the notes by either Moody's or S&P is lower than B1 or B+, respectively, or the notes are no longer rated by at least one of these rating services or their successors.

We may, at our option, redeem for cash the Convertible Senior Notes in whole or in part at any time on or after June 15, 2009, initially at 101.321% of the principal amount, declining to 100% of the principal amount after June 15, 2011. Holders have the right to require us to purchase all or any portion of the Convertible Senior Notes for cash on June 15, 2011, June 15, 2014 and June 15, 2019 or if we undergo a fundamental change, as defined. In each case, we will pay a purchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including contingent interest, if any, and any additional amounts owed, if any, to such purchase date.

In November 2003, we issued \$200 million 6 1/2 % Senior Notes due November 2013 (the "Original Notes") in a private placement pursuant to Rule 144A and Regulation S promulgated under the Securities Act of 1933, as amended. In May 2004 we completed an offer to exchange all of the outstanding Original Notes for an equal amount of 6 1/2 % Senior Notes due November 2013 (the "6 1/2 % Senior Notes"), which were registered under the Securities Act of 1933. The 6 1/2 % Senior Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). Interest on the 6 1/2 % Senior Notes is payable semiannually. We may, at our option, redeem the 6 1/2 % Senior Notes in whole or in part at any time after November 2008, initially at 103.250% of the principal amount, declining to 100% of the principal amount after November 2011. We may redeem the 6 1/2 % Senior Notes, in whole or in part, at any time before November 2008 at a redemption price equal to the principal amount thereof plus a "make-whole" premium, plus accrued and unpaid interest. A portion of such notes may also be redeemed prior to November 2006 under certain conditions.

In April 2002, we issued \$350 million 8 3/8% Senior Notes due April 2012 (the "Original Notes") in a private placement pursuant to Rule 144A and Regulation S promulgated under the Securities Act of 1933, as amended. In September 2002 we completed an offer to exchange all of the outstanding Original Notes for an equal amount of 8 3/8 Senior Notes due 2012 (the "8 3/8% Senior Notes"), which were registered under the Securities Act of 1933. The terms of the 8 3/8% Senior Notes were substantially identical to the terms of the Original Notes. The Original Notes were issued at a price of 100% of their face amount (before underwriting discount and other issuance costs). Interest on the 8 3/8% Senior Notes is payable semiannually. We may, at our option, redeem the 8 3/8% Senior Notes in whole or in part at any time after April 2007, initially at 104.188% of the principal amount, declining to 100% of the principal amount after April 2010. A portion of such notes may also be redeemed prior to April 2005 under certain conditions. We used the proceeds from the issuance of the 8 3/8 % Senior Notes to fund the cash portion of the Crossmann acquisition, to repay Crossmann's outstanding net indebtedness, to reduce borrowings under our revolving credit facility at the time, and to pay related fees, commissions and other expenses.

In May 2001, we issued \$200 million 8 5/8% Senior Notes due May 2011 (the "8 5/8% Senior Notes") at a price of 99.178% of their face amount (before underwriting discount and other issuance costs). Interest on the 8 5/8% Senior Notes is payable semiannually. We may, at our option, redeem the 8 5/8% Senior Notes in whole or in part at any time after May 2006, initially at 104.3125% of the principal amount, declining to 100% of the principal amount after May 2009.

During fiscal 2003, we retired our \$100 million 8 7/8% Senior Notes due in 2008 (the "8 7/8% Senior Notes.") The 8 7/8% Senior Notes were redeemed at 104.438% of the principal amount, plus accrued interest. As a result of the redemption of the 8 7/8% Senior Notes, we recorded a pre-tax charge of \$7.6 million, which includes the write off of previously capitalized fees.

The Convertible Senior Notes, the 6 1/2 % Senior Notes, the 8 3/8% Senior Notes and the 8 5/8% Senior Notes (collectively the "Senior Notes") are unsecured obligations ranking pari passu with all other existing and future senior indebtedness. All of our significant subsidiaries are full and unconditional guarantors of the Senior Notes and our obligations under the Credit Facility, and are jointly and severally liable for obligations under the Senior Notes, and the Credit Facility. Each guarantor subsidiary is a 100% owned subsidiary of Beazer Homes.

The indentures under which the Senior Notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At September 30, 2004, under the most restrictive covenants of each indenture, approximately \$289.7 million of our retained earnings was available for cash dividends and for share repurchases. Each indenture provides that, in the event of defined changes in control or if our consolidated tangible net worth falls below a specified level or in certain circumstances upon a sale of assets, we are required to offer to repurchase certain specified amounts of outstanding Senior Notes.

As of September 30, 2004, future maturities of long-term debt are as follows (in thousands):

Year Ending September 30,	
2005	\$ 17,811
2006	4,256
2007	-
2008	200,000
2009	-
Thereafter	930,000
Total	\$ 1,152,067

(9) Income Taxes

The provision for income taxes consists of (in thousands):

	Year Ended September 30,		
	2004	2003	2002
Current:			
Federal	\$ 153,228	\$ 106,871	\$ 78,709
State	22,427	16,261	13,566
Deferred	(24,891)	(10,348)	(12,850)
Total	\$ 150,764	\$ 112,784	\$ 79,425

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

	Year Ended September 30,		
	2004	2003	2002
Income tax computed at statutory rate	\$ 135,298	\$ 99,935	\$ 70,721
State income taxes, net of federal benefit	16,226	12,764	8,524
Other	(760)	85	180
Total	\$ 150,764	\$ 112,784	\$ 79,425

Deferred tax assets and liabilities are composed of the following (in thousands):

	September 30,	
	2004	2003
Deferred Tax Assets:		
Warranty and other reserves.	\$ 40,900	\$ 19,352
Incentive compensation	7,377	3,752
Property, equipment and other assets	2,275	3,604
Interest rate swaps	354	2,203
Other	1,562	767
Total Deferred Tax Assets	<u>52,468</u>	<u>29,678</u>
Deferred Tax Liabilities:		
Inventory valuation	<u>(5,416)</u>	<u>(3,518)</u>
Net Deferred Tax Asset	<u>\$ 47,052</u>	<u>\$ 26,160</u>

We believe that based upon our history of profitable operations, it is more likely than not that our net deferred tax asset will be realized.

(10) Leases

We are obligated under various non-cancelable operating leases for office facilities and equipment. Rental expense under these agreements amounted to approximately \$14,116,000, \$11,562,000 and \$9,654,000 for the years ended September 30, 2004, 2003 and 2002, respectively. As of September 30, 2004, future minimum lease payments under non-cancelable operating lease agreements are as follows: (in thousands):

Year Ending September 30,	
2005	\$ 10,462
2006	9,049
2007	7,096
2008	5,770
2009	4,250
Thereafter	4,506
Total	<u>\$ 41,133</u>

(11) Stockholders' Equity

Preferred Stock - We currently have no shares of preferred stock outstanding.

Common Stock Repurchase Plan- In February 2003, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to one million shares of our outstanding common stock. During fiscal 2004, we repurchased 179,800 shares for an aggregate purchase price of \$17.5 million or approximately \$98 per share pursuant to the plan. During fiscal 2003, we repurchased 128,000 shares for an aggregate purchase price of \$6.9 million or approximately \$54 per share pursuant to the plan. At September 30, 2004, we are authorized to purchase up to 692,200 additional shares pursuant to the plan.

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

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

Dividends - During fiscal 2004, the Company paid quarterly cash dividends of \$0.10 per common share, or a total of approximately \$5.5 million. No dividends were paid during fiscal years 2003 or 2002.

(12) Earnings Per Share

Basic and diluted earnings per share are calculated as follows (in thousands, except per share amounts):

	Year Ended September 30,		
	2004	2003	2002
Basic:			
Net income	\$ 235,811	\$ 172,745	\$ 122,634
Weighted average number of common shares outstanding	13,293	12,886	10,535
Basic earnings per share	<u>\$ 17.74</u>	<u>\$ 13.41</u>	<u>\$ 11.64</u>
Diluted:			
Net income applicable to common stockholders	\$ 235,811	\$ 172,745	\$ 122,634
Weighted average number of common shares outstanding	13,293	12,886	10,535
Effect of dilutive securities:			
Restricted stock units	243	252	364
Options to acquire common stock	<u>265</u>	<u>376</u>	<u>516</u>
Diluted weighted average number of common shares outstanding	13,801	13,514	11,415
Diluted earnings per share	<u>\$ 17.09</u>	<u>\$ 12.78</u>	<u>\$ 10.74</u>

Options to purchase 137,326 and 143,898 shares of common stock were not included in the computation of diluted earnings per share for the years ended September 30, 2003 and 2002, respectively, because the options' exercise price was greater than the average market price of the common shares during those years.

In September 2004 the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on EITF Issue No. 04-8: "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share" ("EITF 04-8"). The consensus was ratified by the FASB in October 2004. EITF 04-8 requires that shares issuable upon conversion of contingently convertible debt instruments ("Co-Cos") be included in diluted earnings per share computations using the "if-converted method" regardless of whether the issuer's stock price exceeds the contingent conversion price. Prior to EITF 04-8, shares issuable upon conversion of CoCos were generally excluded from diluted earnings per share computations until the issuer's stock price exceeded the contingent conversion price. EITF 04-8, which applies to our 4 5/8 % Convertible Senior Notes issued in June 2004, is expected to be effective for reporting periods ending on or after December 15, 2004, the first quarter of our fiscal 2005. Restatement of prior period earnings per share amounts presented for comparative purposes will be required. If we had reported fiscal 2004 diluted earnings per share under EITF 04-8, we would have reported earnings of \$16.77 per diluted share.

(13) Retirement Plan and Incentive Awards

401(k) Retirement Plan - We sponsor a 401(k) Plan (the "Plan"). Substantially all employees are eligible for participation in the Plan after completing one month of service with us. Participants may defer and contribute to the Plan from 1% to 80% of their salary with certain limitations on highly compensated individuals. We match 50% of the first 6% of the participant's contributions. The participant's contributions vest 100% immediately, while our contributions vest over five years. Our total contributions for the years ended September 30, 2004, 2003 and 2002 were approximately \$2,764,000, \$2,022,000 and \$1,851,000, respectively.

Deferred Compensation Plan- During fiscal 2002, we adopted the Beazer Homes USA, Inc. Deferred Compensation Plan (the "DCP Plan"). The DCP Plan is a non-qualified deferred compensation plan for a select group of executives and highly compensated employees. The Plan allows the executives to defer current compensation on a pre-tax basis to a future year, up until termination of employment. The objectives of the Plan are to assist executives with financial planning and capital accumulation and to provide the Company with a method of attracting, rewarding, and retaining highly compensated executives. Participation in the plan is voluntary. Beazer Homes may voluntarily make a contribution to the participants' DCP accounts. For the years ended September 30, 2004, 2003 and 2002, Beazer Homes contributed \$2,814,000, \$626,000 and \$284,000, respectively, to the DCP Plan.

Stock Incentive Plans - During fiscal 2000, we adopted the 1999 Stock Incentive Plan (the "1999 Plan") because the shares reserved under the 1994 Stock Incentive Plan (the "1994 Plan") had been substantially depleted. We also have the Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan"). At September 30, 2004, we had reserved 3,975,000 shares of common stock for issuance under our various stock incentive plans, of which 1,007,348 shares are available for future grants.

Stock Option Awards - We have issued various stock option awards to officers and key employees under both the 1999 Plan and the 1994 Plan and to non-employee directors pursuant to the Non-Employee Director Plan. Stock options are generally exercisable at the fair market value 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. Stock options granted prior to fiscal 2004, generally expire on the tenth anniversary from the date such options were granted. Stock options granted in fiscal 2004 expire on the seventh anniversary from the date such options were granted.

Stock Option Awards - Information regarding activity under our stock option plans is summarized as follows:

	Year Ended September 30,					
	2004		2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	792,715	\$ 41.48	1,070,880	\$ 28.37	1,230,540	\$ 19.62
Granted	103,388	\$ 98.72	214,577	\$ 62.21	166,245	75.1
Exercised	(259,467)	\$ 20.66	(462,506)	\$ 21.69	(298,907)	18.46
Forfeited	(29,368)	\$ 69.21	(30,236)	\$ 47.40	(26,998)	27.1
Options outstanding at end of year	607,268	\$ 58.78	792,715	\$ 41.48	1,070,880	\$ 28.37
Options exercisable at end of year	199,620	\$ 21.76	455,087	\$ 20.69	390,537	\$ 19.86

The following table summarizes information about stock options outstanding and exercisable at September 30, 2004:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding	Weighted Average Contractual Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$18-\$24	199,620	5.41	\$21.76	199,620	\$21.76
\$56-\$63	177,228	8.10	62.15	-	-
\$74-\$87	130,562	7.57	80.30	-	-
\$97-\$99	99,858	6.32	98.72	-	-
	607,268			199,620	

Other Stock Awards - We have made various restricted stock awards to officers and key employees under both the 1999 Plan and the 1994 Plan. All restricted stock is awarded in the name of the participant, who has all the rights of other common stockholders with respect to such stock, subject to restrictions and forfeiture provisions. Accordingly, such restricted stock awards are considered outstanding shares. Restricted stock awards vest from three to seven years after the date of grant. Certain restricted stock awards provide for accelerated vesting if certain performance goals are achieved. Compensation expense recognized for such awards totaled \$5,581,000, \$3,984,000 and \$2,365,000 for the years ended September 30, 2004, 2003 and 2002 respectively.

Activity relating to restricted stock awards is summarized as follows:

	Year Ended September 30,		
	2004	2003	2002
Restricted shares, beginning of year	292,953	88,337	134,625
Shares awarded	47,948	215,642	79,337
Shares forfeited	(6,229)	(2,026)	-
Shares vested	-	(9,000)	(125,625)
Restricted shares, end of year	334,672	292,953	88,337

We have an incentive compensation plan (called the Value Created Incentive Plan), modeled under the concepts of economic profit or economic value added. Participants may defer a portion of their earned annual incentive compensation under the plan. The deferred amounts are represented by restricted stock units ("Bonus Stock"), each of which represent the right to receive one share of Beazer Homes common stock upon vesting. Such shares are issued after a three-year vesting period, subject to an election for further deferral by the participant. The number of restricted stock units granted is based on a discount to the market value of our common stock at the time the bonus is earned. Should the participant's employment terminate during the vesting period, the deferred incentive compensation is settled in cash or cash and stock, depending on the cause of termination.

Activity relating to Bonus Stock is as follows:

	Year Ended September 30,		
	2004	2003	2002
Bonus Stock issuable, beginning of year	128,404	209,158	237,362
Shares awarded	36,833	22,847	28,029
Shares forfeited	(712)	(6,370)	(2,905)
Shares vested and issued	(68,137)	(97,231)	(53,328)
Bonus Stock issuable, end of year	96,388	128,404	209,158

Our former Chief Financial Officer resigned effective September 30, 2003. Effective October 1, 2003, Beazer Homes and our former CFO entered into a consulting and non-compete agreement pursuant to which our former CFO will retain and continue to vest in various stock awards during the two year life of the agreement which would have otherwise been forfeited upon termination, representing up to 46,409 shares of the Company's common stock. Our consolidated balance sheets at September 30, 2004 and 2003 include \$2,050,000 and \$3,100,000, respectively, of unearned compensation cost reflecting the fair value of the stock awards as of each balance sheet date. Such unearned compensation cost, as adjusted by changes in the value of the Company's common stock, is being recognized over the two year life of the consulting and non-compete agreement. Compensation expense recognized for such awards totaled \$1,800,000 for the year ended September 30, 2004.

(14) Contingencies

Trinity Claims - We and certain of our subsidiaries have been and continue to be named as defendants in various construction defect claims, complaints and other legal actions that include claims related to moisture intrusion and mold. We have experienced a significant number of such claims in our Midwestern region and particularly with respect to homes built by Trinity Homes LLC, a subsidiary we acquired in the Crossmann acquisition in 2002.

As of September 30, 2004, there were eleven pending lawsuits related to such complaints received by Trinity. Ten of these involve suits by individual homeowners, and the cost to resolve these matters is not expected to be material, either individually or in the aggregate. One of these suits is a class action suit that was filed in the State of Indiana in August 2003. The parties in the class action engaged in a series of mediation conferences which resulted in an agreement for a proposed settlement of the case. The parties submitted settlement documents to the court, which the court preliminarily approved on August 6, 2004. A Fairness Hearing was held on October 18, 2004 and the court approved the settlement agreement on October 20, 2004.

The settlement class includes, with certain exclusions, the current owners of all Trinity homes that have brick veneer, where the closing of Trinity's initial sale of the home took place between June 1, 1998 and October 31, 2002. The settlement agreement establishes an agreed protocol and process for assessment and remediation of any external water intrusion issues at the homes which includes, among other things, that the homes will be repaired at Trinity's expense. The settlement agreement also provides for plaintiffs' attorneys' fees and for Trinity to pay an agreed amount per home for engineering inspection costs for each home for which a claim is filed under the settlement.

Under the settlement, subject to Trinity's timely performance of the specified assessments and remediation activities for homeowners who file claims, each homeowner releases Trinity, Beazer Homes Investment Corp. and other affiliated companies, including Beazer Homes, from the claims asserted in the class action lawsuit, claims arising out of external water intrusion, and claims of improper brick installation, including property damage claims, loss or diminution of property value claims, and most personal injury claims, among others. There was a 30-day timeframe, which ended on November 19, 2004, to appeal the court's order approving the settlement. No appeals were received by the court within the timeframe established. The Company expects to send out the claims notices on or about December 20, 2004, and the class members will have 60 days to file claims.

Our warranty reserves at September 30, 2004 and 2003 include accruals for our estimated costs to assess and remediate all homes for which Trinity had received complaints related to moisture intrusion and mold, including a provision for legal fees. Our warranty reserves at September 30, 2004 also include a provision for estimated plaintiffs' attorneys' fees and for engineering inspection costs related to the settlement discussed above. It is probable that we have incurred additional losses relating to the remediation of homes of class members from whom we have not yet received complaints. However, due to the uncertainty surrounding the number of claims that will ultimately be filed and the average cost to remediate such claims, we cannot estimate the possible loss or range of loss at this time. Therefore, we have not accrued any costs to remediate homes for which we have not yet received complaints. As we receive and evaluate claims pursuant to the settlement, we will accrue our estimated costs to resolve those claims. We expect to know substantially the number of claims that will ultimately be filed pursuant to the settlement during the second quarter of our fiscal 2005.

The following is a roll-forward of total complaints received, on which our accruals were based:

	Year Ended September 30,	
	2004	2003
Complaints outstanding at beginning of year	415	16
Complaints received during the year	564	399
Complaints resolved during the year	(92)	-
Complaints outstanding at end of year	<u>887</u>	<u>415</u>

The cost to assess and remediate a home depends on the extent of moisture damage, if any, that the home has incurred. We classify homes for which we receive complaints into one of three categories: 1) homes with no moisture damage, 2) homes with isolated moisture damage or 3) homes with extensive moisture damage. For purposes of calculating our accrual we estimated the cost to assess and remediate homes to cover a range up to \$63,500 per home, depending on the category to which it was assigned.

As of September 30, 2004 and 2003 we accrued for our estimated cost to remediate homes that we had assessed and assigned to one of the above categories, as well as our estimated cost to remediate those homes for which we had received complaints, but for which we had not yet performed assessments. For purposes of our accrual, we assigned homes not yet assessed to categories based on our expectations about the extent of damage and trends observed from the results of assessments performed to date.

During the quarter ended September 30, 2004, we increased our estimated costs to remediate homes within each category. We also changed our classifications of homes not yet assessed to reflect our expectations that a greater number of homes than previously estimated will have extensive moisture damage. We updated these assumptions based on the results of remediation work and assessments completed to date and cost estimates from subcontractors. As a result of these changes in estimate, we increased our reserves for existing claims by approximately \$12,300,000. We also accrued \$3,300,000 for new claims received during the quarter, for a total pre-tax charge of \$15,600,000 for the quarter ended September 30, 2004.

During fiscal 2004, we initiated a program under which we offered to repurchase a limited number of homes from specific homeowners. As of September 30, 2004 we have repurchased 53 homes at an aggregate purchase price of \$17,461,769. We have an agreement to repurchase one more home, which concludes this repurchase program. Our accrual at September 30, 2004 includes our estimated costs to sell homes that we have repurchased and which we have agreed to repurchase, and our estimated losses on the sale of those homes. As of September 30, 2004, we have not sold any of the homes that we have repurchased under this program.

Changes in our accrual for Trinity moisture intrusion and related mold issues during the period were as follows (in thousands):

	Year Ended September 30,	
	2004	2003
Balance at beginning of period	\$ 9,200	\$ 730
Provisions	43,858	15,523
Payments	(10,885)	(7,053)
Balance at end of period	<u>\$ 42,173</u>	<u>\$ 9,200</u>

Our accruals at September 30, 2004 and 2003 represent our best estimates of the costs to resolve all asserted complaints. Actual costs to assess and remediate homes in each category, the extent of damage to homes not yet assessed, our estimates of costs to sell repurchased homes, and our losses on such sales could differ from our estimates. As a result, the costs to resolve existing complaints could differ from our recorded accruals and have a material adverse effect on our net income in the periods in which the matters are resolved. Additionally, it is reasonably possible that we will incur additional losses related to these matters, including additional losses related to homes for which we have not yet received complaints. However, the amount or range of such losses cannot be determined at this time.< /DIV>

Warranty Reserves- We provide a limited warranty (ranging from one to two years) of workmanship and materials with each of our homes. Such warranty covers defects in plumbing, electrical, heating, cooling and ventilating systems and construction defects. In addition, we provide a warranty (ranging from a minimum of ten years up to the period covered by the applicable statute of repose) with each of our homes, covering construction defects only. Since we subcontract our homebuilding work to subcontractors who generally provide us with an indemnity and a certificate of insurance prior to receiving payments for their work, claims relating to workmanship and materials are generally the primary responsibility of our subcontractors.

As noted above, our warranty reserves at September 30, 2004 and 2003 include accruals for Trinity moisture intrusion and related mold issues. Warranty reserves are included in accrued expenses in the consolidated financial statements. 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 the claims and adjusts these provisions accordingly. While we believe that our 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.

Changes in our warranty reserves, which include amounts related to the Trinity moisture intrusion and mold issues discussed above, during the period are as follows (in thousands):

	Year Ended September 30,		
	2004	2003	2002
Balance at beginning of period	\$ 40,473	\$ 25,527	\$ 16,464
Provisions	80,291	39,244	24,883
Payments	(34,601)	(24,298)	(15,820)
Balance at end of period	<u>\$ 86,163</u>	<u>\$ 40,473</u>	<u>\$ 25,527</u>

Other Contingencies - We had outstanding letters of credit and performance bonds of approximately \$45.9 million and \$351.3 million, respectively, at September 30, 2004 related principally to our obligations to local governments to construct roads and other improvements in various developments in addition to the letters of credit of approximately \$57.8 million relating to our land option contracts discussed in Note 4. We do not believe that any such letters of credit or bonds are likely to be drawn upon.

We and certain of our subsidiaries have been named as defendants in various claims, complaints and other legal actions. In our opinion, except as discussed above, the ultimate resolution of these matters will not have a material adverse effect on our financial condition or results of operations.

(15) Supplemental Guarantor Information

As discussed in Note 8, the Company's obligations to pay principal, premium, if any, and interest under certain debt are guaranteed on a joint and several basis by substantially all of its subsidiaries. The guarantees are full and unconditional and the guarantor subsidiaries are 100% owned by Beazer Homes USA, Inc. The Company has determined that separate, full financial statements of the guarantors would not be material to investors and, accordingly, supplemental financial information for the guarantors is presented.

Beazer Homes USA, Inc.
Consolidating Balance Sheet
September 30, 2004
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	\$ 392,110	\$ (71,569)	\$ 339	\$ -	\$ 320,880
Accounts receivable	-	70,237	337	-	70,574
Owned inventory	-	2,079,494	-	9,836	2,089,330
Consolidated inventory not owned	-	254,765	-	-	254,765
Investment in unconsolidated joint ventures	-	44,748	-	-	44,748
Deferred tax asset	47,052	-	-	-	47,052
Property, plant and equipment, net	-	24,671	-	-	24,671
Goodwill	-	251,603	-	-	251,603
Investments in subsidiaries	1,468,078	-	-	(1,468,078)	-
Intercompany	566,216	(583,038)	16,822	-	-
Other assets	19,432	17,881	8,526	-	45,839
Total Assets	<u>\$ 2,492,888</u>	<u>\$ 2,088,792</u>	<u>\$ 26,024</u>	<u>\$ (1,458,242)</u>	<u>\$ 3,149,462</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	\$ -	\$ 123,174	\$ 113	\$ -	\$ 123,287
Other liabilities	146,473	276,242	11,057	3,836	437,608
Intercompany	(1,043)	-	1,043	-	-
Obligations related to consolidated inventory not owned	-	219,042	-	-	219,042
Revolving credit facility	-	-	-	-	-
Term Loan	200,000	-	-	-	200,000
Senior notes	915,337	-	-	-	915,337
Other notes payable	-	22,067	-	-	22,067
Total Liabilities	<u>1,260,767</u>	<u>640,525</u>	<u>12,213</u>	<u>3,836</u>	<u>1,917,341</u>
Stockholders' Equity	<u>1,232,121</u>	<u>1,448,267</u>	<u>13,811</u>	<u>(1,462,078)</u>	<u>1,232,121</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,492,888</u>	<u>\$ 2,088,792</u>	<u>\$ 26,024</u>	<u>\$ (1,458,242)</u>	<u>\$ 3,149,462</u>

Beazer Homes USA, Inc.
Consolidating Balance Sheet
September 30, 2003
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	\$ 110,754	\$ (40,079)	\$ 2,697	\$ -	\$ 73,372
Accounts receivable	-	64,620	1,383	-	66,003
Owned inventory	-	1,677,965	-	9,844	1,687,809
Consolidated inventory not owned	-	35,674	-	-	35,674
Investments in unconsolidated joint ventures	-	26,569	-	-	26,569
Deferred tax asset	26,160	-	-	-	26,160
Property, plant and equipment, net	-	19,166	19	-	19,185
Goodwill	-	251,603	-	-	251,603
Investments in subsidiaries	1,246,831	-	-	(1,246,831)	-
Intercompany	403,945	(415,211)	11,266	-	-
Other assets	11,085	9,018	5,556	-	25,559
Total Assets	<u>\$ 1,798,775</u>	<u>\$ 1,629,325</u>	<u>\$ 20,921</u>	<u>\$ (1,236,987)</u>	<u>\$ 2,212,034</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	\$ -	\$ 125,099	\$ 422	\$ -	\$ 125,521
Other liabilities	64,963	242,503	9,642	3,888	320,996
Obligations related to consolidated inventory not owned	-	30,457	-	-	30,457
Intercompany	(1,248)	-	1,248	-	-
Term Loan	200,000	-	-	-	200,000
Senior Notes	541,365	-	-	-	541,365
Total Liabilities	<u>805,080</u>	<u>398,059</u>	<u>11,312</u>	<u>3,888</u>	<u>1,218,339</u>
Stockholders' Equity	993,695	1,231,266	9,609	(1,240,875)	993,695
Total Liabilities and Stockholders' Equity	<u>\$ 1,798,775</u>	<u>\$ 1,629,325</u>	<u>\$ 20,921</u>	<u>\$ (1,236,987)</u>	<u>\$ 2,212,034</u>

Beazer Homes USA, Inc.
 Consolidating Statement of Income
 September 30, 2004
 (in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Total revenue	\$ -	\$ 3,899,971	\$ 7,138	\$ -	\$ 3,907,109
Costs and expenses:					
Home construction and land sales	76,035	3,023,697	-	-	3,099,732
Selling, general and administrative	-	436,726	2,552	(9,836)	429,442
Expenses related to retirement of debt	-	-	-	-	-
Operating income	(76,035)	439,548	4,586	9,836	377,935
Equity in income of unconsolidated joint ventures	-	1,561	-	-	1,561
Other income/(expense), net	-	7,079	-	-	7,079
Income before income taxes	(76,035)	448,188	4,586	9,836	386,575
Provision for income taxes	(29,654)	174,794	1,788	3,836	150,764
Equity in income of subsidiaries	282,192	-	-	(282,192)	-
Net income	<u>\$ 235,811</u>	<u>\$ 273,394</u>	<u>\$ 2,798</u>	<u>\$ (276,192)</u>	<u>\$ 235,811</u>

Beazer Homes USA, Inc.
 Consolidating Statement of Income
 September 30, 2003
 (in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Total revenue	\$ -	\$ 3,169,765	\$ 7,643	\$ -	\$ 3,177,408
Costs and expenses:					
Home construction and land sales	65,295	2,478,059	525	(9,844)	2,534,035
Selling, general and administrative	-	354,088	2,560	-	356,648
Expenses related to retirement of debt	7,570	-	-	-	7,570
Operating income	(72,865)	337,618	4,558	9,844	279,155
Equity in income of unconsolidated joint ventures	-	1,597	-	-	1,597
Other income, net	-	4,750	27	-	4,777
Income before income taxes	(72,865)	343,965	4,585	9,844	285,529
Provision for income taxes	(28,782)	135,867	1,811	3,888	112,784
Equity in income of subsidiaries	216,828	-	-	(216,828)	-
Net income	\$ 172,745	\$ 208,098	\$ 2,774	\$ (210,872)	\$ 172,745

Beazer Homes USA, Inc.
 Consolidating Statement of Income
 September 30, 2002
 (in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Total revenue	\$ -	\$ 2,635,619	\$ 5,554	\$ -	\$ 2,641,173
Costs and expenses:					
Home construction and land sales	51,171	2,112,261	153	(8,170)	2,155,415
Selling, general and administrative	-	290,533	2,051	-	292,584
Operating income	(51,171)	232,825	3,350	8,170	193,174
Equity in income of unconsolidated joint ventures	-	2,338	-	-	2,338
Other income, net	-	6,509	38	-	6,547
Income before income taxes	(51,171)	241,672	3,388	8,170	202,059
Provision for income taxes	(20,114)	94,997	1,331	3,211	79,425
Equity in income of subsidiaries	153,691	-	-	(153,691)	-
Net income	<u>\$ 122,634</u>	<u>\$ 146,675</u>	<u>\$ 2,057</u>	<u>\$ (148,732)</u>	<u>\$ 122,634</u>

Beazer Homes USA, Inc.
Consolidating Statement of Cash Flows
September 30, 2004
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash provided/(used) by operating activities	\$ 12,169	\$ (88,774)	\$ 2,886	\$ -	\$ (73,719)
Cash flows from investing activities:					
Capital expenditures	-	(10,271)	-	-	(10,271)
Proceeds from sale of fixed assets	-	-	-	-	-
Investments in unconsolidated joint ventures	-	(25,844)	-	-	(25,844)
Distributions from and proceeds from sale of unconsolidated joint ventures	-	5,639	-	-	5,639
Net cash used by investing activities	<u>-</u>	<u>(30,476)</u>	<u>-</u>	<u>-</u>	<u>(30,476)</u>
Cash flows from financing activities:					
Proceeds of Term Loan	200,000	-	-	-	200,000
Repayment of Term Loan	(200,000)	-	-	-	(200,000)
Proceeds from issuance of 6 1/2% Senior Notes	198,100	-	-	-	198,100
Proceeds from issuance of 4 5/8% Convertible Senior Notes	174,600	-	-	-	174,600
Advances to/from subsidiaries	(82,516)	87,760	(5,244)	-	-
Debt Issuance Cost	(3,354)	-	-	-	(3,354)
Proceeds from stock option exercises	5,362	-	-	-	5,362
Common share repurchases	(17,546)	-	-	-	(17,546)
Dividends paid	(5,459)	-	-	-	(5,459)
Net cash provided/(used) by financing activities	<u>269,187</u>	<u>87,760</u>	<u>(5,244)</u>	<u>-</u>	<u>351,703</u>
Increase (decrease) in cash and cash equivalents	281,356	(31,490)	(2,358)	-	247,508
Cash and cash equivalents at beginning of year	110,754	(40,079)	2,697	-	73,372
Cash and cash equivalents at end of year	<u>\$ 392,110</u>	<u>\$ (71,569)</u>	<u>\$ 339</u>	<u>\$ -</u>	<u>\$ 320,880</u>

Beazer Homes USA, Inc.
 Consolidating Statement of Cash Flows
 September 30, 2003
 (in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash provided/(used) by operating activities	\$ (11,140)	\$ (32,990)	\$ 3,081	\$ -	\$ (41,049)
Cash flows from investing activities:					
Capital expenditures	-	(9,309)	(16)	-	(9,325)
Investments in unconsolidated joint ventures	-	(4,941)	-	-	(4,941)
Distributions from and proceeds from sale of unconsolidated joint ventures	-	7,714	-	-	7,714
Net cash used by investing activities	-	(6,536)	(16)	-	(6,552)
Cash flows from financing activities:					
Proceeds from Term Loan	200,000	-	-	-	200,000
Repayment of Term Loan	(100,000)	-	-	-	(100,000)
Redemption of 8 7/8% Senior Notes	(104,438)	-	-	-	(104,438)
Advances (to) from subsidiaries	(21,445)	25,206	(3,761)	-	-
Debt issuance costs	(2,458)	-	-	-	(2,458)
Proceeds from stock option exercises	9,805	-	-	-	9,805
Common share repurchases	(6,925)	-	-	-	(6,925)
Net cash provided/(used) by financing activities	(25,461)	25,206	(3,761)	-	(4,016)
Decrease in cash and cash equivalents	(36,601)	(14,320)	(696)	-	(51,617)
Cash and cash equivalents at beginning of year	147,355	(25,759)	3,393	-	124,989
Cash and cash equivalents at end of year	<u>\$ 110,754</u>	<u>\$ (40,079)</u>	<u>\$ 2,697</u>	<u>\$ -</u>	<u>\$ 73,372</u>

Beazer Homes USA, Inc.
 Consolidating Statement of Cash Flows
 September 30, 2002
 (in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash provided/(used) by operating activities	\$ (18,717)	\$ 71,291	\$ 6,890	\$ -	\$ 59,464
Cash flows from investing activities:					
Capital expenditures	-	(8,213)	-	-	(8,213)
Proceeds from sale of fixed assets	-	4,800	-	-	4,800
Investments in unconsolidated joint ventures	-	(3,146)	-	-	(3,146)
Distributions from and proceeds from sale of unconsolidated joint ventures	-	12,736	-	-	12,736
Acquisitions, net of cash acquired	-	(320,810)	-	-	(320,810)
Net cash used by investing activities	-	(314,633)	-	-	(314,633)
Cash flows from financing activities:					
Proceeds from issuance of 8 3/8% Senior Notes	343,000	-	-	-	343,000
Advances (to) from subsidiaries	(223,050)	225,916	(2,866)	-	-
Debt issuance costs	(7,513)	-	-	-	(7,513)
Proceeds from stock option exercises	5,162	-	-	-	5,162
Common share repurchases	(2,169)	-	-	-	(2,169)
Net cash provided/(used) by financing activities	115,430	225,916	(2,866)	-	338,480
Increase/(decrease) in cash and cash equivalents	96,713	(17,426)	4,024	-	83,311
Cash and cash equivalents at beginning of year	50,642	(8,333)	(631)	-	41,678
Cash and cash equivalents at end of year	<u>\$ 147,355</u>	<u>\$ (25,759)</u>	<u>\$ 3,393</u>	<u>\$ -</u>	<u>\$ 124,989</u>

**REPORT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of Beazer Homes USA, Inc. and subsidiaries (the "Company") as of September 30, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Beazer Homes USA, Inc. and subsidiaries at September 30, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the consolidated financial statements, in 2003 the Company changed its method of accounting for consolidated inventory not owned to conform to Financial Accounting Standards Board Interpretation No. 46.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

November 5, 2004

Quarterly Financial Data

Summarized quarterly financial information (unaudited):

(in thousands, except per share data)	Quarter Ended			
	September 30	June 30	March 31	December 31
Fiscal 2004:				
Total revenue	\$ 1,211,141	\$ 1,009,279	\$ 876,581	\$ 810,108
Operating income	128,201	96,238	77,844	75,652
Net income	80,087	59,680	48,858	47,186
<i>Net income per common share:</i>				
Basic	\$ 6.05	\$ 4.48	\$ 3.66	\$ 3.55
Diluted	\$ 5.82	\$ 4.31	\$ 3.52	\$ 3.41
Fiscal 2003:				
Total revenue	\$ 1,039,923	\$ 771,758	\$ 665,567	\$ 700,160
Operating income	92,634	65,968	61,487	59,066
Net income	57,164	40,689	37,972	36,920
<i>Net income per common share:</i>				
Basic	\$ 4.38	\$ 3.16	\$ 2.96	\$ 2.88
Diluted	\$ 4.18	\$ 3.01	\$ 2.83	\$ 2.75

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

None.

Item 9A. Controls and Procedures

As of September 30, 2004, an evaluation was performed under the supervision and with the participation of Beazer Homes' management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, Beazer Homes' management, including the CEO and CFO, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that required information will be disclosed on a timely basis in our reports filed under the Exchange Act. No changes in Beazer Homes' internal control over financial reporting were identified during the evaluation described above that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

Director information is incorporated by reference to the section entitled "Election of Directors" of our Proxy Statement for our 2005 Annual Meeting of Stockholders, which is expected to be filed on or before December 20, 2004. Information regarding our executive officers is set forth herein under Part I as a separate item.

Beazer Homes has adopted a Code of Business Conduct and Ethics for its senior financial officers, which applies to its principal financial officer and controller, other senior financial officers and Chief Executive Officer. The full text of the Code of Business Conduct and Ethics can be found on the Company's website. Our Corporate Governance Guidelines and the charters of the following committees of our Board of Directors: Audit, Compensation, and Nominating and Governance, are also posted to our website, and are available in print to any stockholder who requests a printed copy. Information regarding waivers of our code of business conduct and ethics will also be published on our website.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the section entitled "Executive Compensation" of our Proxy Statement for our 2005 Annual Meeting of Stockholders, which is expected to be filed on or before December 20, 2004.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference to the section entitled "Security Ownership of Management" of our Proxy Statement for our 2005 Annual Meeting of Stockholders, which is expected to be filed on or before December 20, 2004.

Item 13. Certain Relationships and Related Transactions

None

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the section entitled "Principal Accounting Firm Fees" of our Proxy Statement for our 2005 Annual Meeting of Stockholders, which is expected to be filed on or before December 20, 2004.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

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

(a) 1. Financial Statements

	Page herein
Consolidated Statements of Income for the years ended September 30, 2004, 2003 and 2002.	33
Consolidated Balance Sheets as of September 30, 2004 and 2003.	34
Consolidated Statements of Stockholders' Equity for the years ended September 30, 2004, 2003 and 2002.	35
Consolidated Statements of Cash Flows for the years ended September 30, 2004, 2003 and 2002.	36
Notes to Consolidated Financial Statements.	37

2. Financial Statement Schedules

None required

3. Exhibits

Exhibit Number	Exhibit Description	Page herein or incorporated by reference from
2.1 ---	Agreement and Plan of Merger among Beazer Homes USA, Inc., Beazer Homes Investment Corp., and Crossmann Communities Inc. dated as of January 29, 2002	(6)
3.1 ---	Amended and Restated Certificate of Incorporation of the Company	(9)
3.2 ---	Second Amended and Restated Bylaws of the Company	Filed herewith
4.1 ---	Indenture dated as of May 21, 2001 among the Company and U.S. Bank Trust National Association, as trustee, related to the Company's 8 5/8% Senior Notes due 2011	(5)
4.2 ---	Supplemental Indenture (8 5/8% Notes) dated as of May 21, 2001 among the Company, its subsidiaries party thereto and U.S. Bank Trust National Association, as trustee	(5)
4.3 ---	Form of 8 5/8 % Senior Notes due 2011	(5)
4.4 ---	Specimen of Common Stock Certificate	(2)
4.5* ---	Retirement Savings and Investment Plan (the "RSIP")	(1)
4.6* ---	RSIP Summary Plan Description	(1)
4.7 ---	Rights Agreement, dated as of June 21, 1996, between the Company and First Chicago Trust Company of New York, as Rights Agent	(8)
4.8 ---	Indenture dated as of April 17, 2002 among Beazer, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee, related to the Company's 8 3/8% Senior Notes due 2012	(6)
4.9 ---	First Supplemental Indenture dated as of April 17, 2002 among Beazer, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee, related to the Company's 8 3/8% Senior Notes due 2012	(6)
4.10 ---	Form of 8 3/8 % Senior Notes due 2012	(6)
4.11 ---	Second Supplemental Indenture dated as of November 13, 2003 among Beazer, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee, related to the Company's 6 1/2% Senior Notes due 2013	(8)

4.12	---	Form of 6 1/2 % Senior Notes due 2013	(8)
4.13	---	Indenture dated as of June 8, 2004 among Beazer, the Guarantors party thereto and SunTrust Bank, as trustee, related to the 4 5/8% Convertible Senior Notes due 2024	(10)
4.14	---	Form of 4 5/8% Convertible Senior Notes due 2024	(10)
10.1*	---	Amended and Restated 1994 Stock Incentive Plan	(3)
10.2*	---	Non-Employee Director Stock Option Plan	(8)
10.3*	---	Amended and Restated 1999 Stock Incentive Plan	(7)
10.4*	---	2005 Value Created Incentive Plan	Filed herewith
10.5*	---	Amended and Restated Corporate Management Stock Purchase Program	Filed herewith
10.6*	---	Customer Survey Incentive Plan	Filed herewith
10.7*	---	Director Stock Purchase Program	Filed herewith
10.8*	---	Form of Stock Option and Restricted Stock Award Agreement	Filed herewith
10.9*	---	Form of Stock Option Award Agreement	Filed herewith
10.9-15		Amended and Restated Employment Agreements dated as of September 1, 2004:	
10.10*	---	Ian J. McCarthy	(11)
10.11*	---	Michael H. Furlow	(11)
10.12*	---	James O'Leary	(11)
10.13*	---	Lowell Ball	(11)
10.14*	---	Michael T. Rand	(11)
10.15*	---	John Skelton	(11)
10.16-22		Supplemental Employment Agreements dated as of September 1, 2004:	
10.16*	---	Ian J. McCarthy	(11)
10.17*	---	Michael H. Furlow	(11)
10.18*	---	James O'Leary	(11)
10.19*	---	Lowell Ball	(11)
10.20*	---	Michael T. Rand	(11)
10.21*	---	John Skelton	(11)
10.22*	---	Jonathan P. Smoke	(11)
10.23*	---	Employment Agreement dated as of September 1, 2004 for Cory J. Boydston	Filed herewith
10.24	---	Purchase Agreement for Sanford Homes of Colorado LLLP	(4)
10.25	---	Amended and Restated Credit Agreement dated as of May 28, 2004 between the Company and Bank One, NA, as Agent, Guaranty Bank, BNP Paribas and Wachovia Bank, National Association as Syndication Agents, The Royal Bank of Scotland plc as Documentation Agent, SunTrust Bank, PNC Bank, National Association and Washington Mutual Bank, FA, as Managing Agents, Comerica Bank and Key Bank National Association as Co-Agents, and Banc One Capital Markets, Inc., Lead Arranger and Sole Bookrunner.	(12)
21	---	Subsidiaries of the Company	Filed herewith
23	---	Consent of Deloitte & Touche LLP	Filed herewith
31.1	---	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	---	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	---	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	---	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

* Represents a management contract or compensatory plan or arrangement

- (1) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-8 (Registration No. 33-91904) filed on May 4, 1995.
- (2) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-1 (Registration No. 33-72576) initially filed on December 6, 1993.
- (3) Incorporated herein by reference to the exhibits to the Company's 10-Q for the quarterly period ended December 31, 2000.
- (4) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on August 10, 2001.
- (5) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 2001.
- (6) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-4 (Registration No. 333-92470) filed on July 16, 2002.
- (7) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-8/S-3 (Registration No. 333-101142) filed on November 12, 2002.
- (8) Incorporated herein by reference to the exhibits to the Company's report on Form 10-K for the year ended September 30, 2003.
- (9) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-4/A filed on March 12, 2002.
- (10) Incorporated herein by reference to the exhibits to the Company's 10-Q for the quarterly period ended June 30, 2004.
- (11) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on September 1, 2004.
- (12) Incorporated herein by reference to the exhibits to the Company's report on Form 8-K filed on June 2, 2004.

(b) Reports on Form 8-K

On July 8, 2004 we furnished a report on Form 8-K announcing under Item 12 our new home orders for the three month period ended June 30, 2004.

On July 29, 2004 we furnished a report on Form 8-K announcing under Item 12 our earnings and results of operations for the three and nine month periods ended June 30, 2004.

On September 1, 2004 we filed a report on Form 8-K announcing under Item 1.01 our entry into supplemental employment agreements with the following executives: Ian J. McCarthy, President and Chief Executive Officer; Michael H. Furlow, Executive Vice President and Chief Operating Officer; James O'Leary, Executive Vice President and Chief Financial Officer; Lowell Ball, Senior Vice President, General Counsel; Michael T. Rand, Senior Vice President, Chief Accounting Officer; John Skelton, Senior Vice President, Forward Planning; and Jonathan P. Smoke, Senior Vice President, Chief Information Officer.

(c) 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.

3.2	---	Second Amended and Restated Bylaws of the Company
10.4*	---	2005 Value Created Incentive Plan
10.5*	---	Amended and Restated Corporate Management Stock Purchase Program
10.6*	---	Customer Survey Incentive Plan
10.7*	---	Director Stock Purchase Program
10.8*	---	Form of Stock Option and Restricted Stock Award Agreement
10.9*	---	Form of Stock Option Award Agreement
10.23*	---	Employment Agreement dated as of September 1, 2004 for Cory J. Boydston
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

(d) 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.

Beazer Homes USA, Inc.

By: /s/ IAN J. MCCARTHY
Name: Ian J. McCarthy
Title: President and Chief Executive Officer
Date: December 6, 2004

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.

December 6, 2004
Date By: /s/ BRIAN C. BEAZER
Brian C. Beazer, Director and Non-Executive Chairman of the Board

December 6, 2004
Date By: /s/ IAN J. MCCARTHY
Ian J. McCarthy, Director, President and Chief Executive Officer
(Principal Executive Officer)

December 6, 2004
Date By: /s/ LAURENT ALPERT
Laurent Alpert, Director

December 6, 2004
Date By: /s/ KATIE J. BAYNE
Katie J. Bayne, Director

December 6, 2004
Date By: /s/ MAUREEN E. O'CONNELL
Maureen E. O'Connell, Director

December 6, 2004
Date By: /s/ LARRY T. SOLARI
Larry T. Solari, Director

December 6, 2004
Date By: /s/ STEPHEN P. ZELNAK
Stephen P. Zelnak, Jr., Director

December 6, 2004
Date By: /s/ JAMES O'LAERY
James O'Leary, Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

December 6, 2004
Date By: /s/ MICHAEL T. RAND
Michael T. Rand, Senior Vice President, Chief Accounting Officer
(Principal Accounting Officer)

SECOND AMENDED AND RESTATED BY-LAWS

OF

BEAZER HOMES USA, INC.

(a Delaware corporation)

August 2004 Revisions

ARTICLE I

Stockholders

SECTION 1. Annual Meetings.

(a) All meetings of the Stockholders for the election of directors shall be held in the County of New Castle, State of Delaware, at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of Stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

(b) Annual meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

(c) Written notice of the annual meeting stating the place, date, and hour of the meeting shall be given to each Stockholder entitled to vote at such meeting not less than ten days nor more than sixty days prior to the date of the meeting.

(d) The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder. Such list shall be open to the examination of any Stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Stockholder who is present. The stock ledger shall be the only evidence as to the Stockholders entitled to examine the stock ledger, the list required by this section or the books of the Corporation, or to vote in person or by proxy at any meeting of Stockholders.

SECTION 2. Special Meetings.

(a) Special meetings of the Stockholders, unless otherwise prescribed by statute, may be called by the Chairman of the Board, the President or by resolution of the Board of Directors. Notice of each special meeting shall be given in accordance with Subsection (b) of Section 2 of this Article I. Unless otherwise required by law, business transacted at any special meeting of Stockholders shall be limited to the purpose stated in the notice.

(b) Written notice of a special meeting stating the place, date, and hour of the meeting and, in general terms, the purpose or purposes for which the meeting is called, shall be given not less than ten days nor more than sixty days prior to the date of the meeting, to each Stockholder entitled to vote at such meeting. Whenever the directors shall fail to fix such place, the meeting shall be held at the principal executive offices of the Corporation.

SECTION 3. Quorums. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the Stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. Where a separate vote by class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to vote on the matter. If, however, any such quorum shall not be present or represented at any meeting of the Stockholders, the Stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at the meeting. When a quorum is once present it is not broken by the subsequent withdrawal of any Stockholder.

SECTION 4. Organization. Meetings of Stockholders shall be presided over by the Chairman, if any, or if none or in the Chairman's absence the President, if any, or if none or in the President's absence, by a Chairman to be chosen by the Stockholders entitled to vote who are present in person or by proxy at the meeting. The Secretary of the Corporation, or in the Secretary's absence an Assistant Secretary, shall act as Secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the presiding officer of the meeting shall appoint any person present to act as Secretary of the meeting.

SECTION 5. Voting; Proxies; Required Vote.

(a) At each meeting of Stockholders, every Stockholder shall be entitled to vote in person or by proxy appointed by an instrument in writing, subscribed by such Stockholder or by such Stockholder's duly authorized attorney-in-fact (but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period), and, unless the Certificate of Incorporation provides otherwise, shall have one vote for each share of stock entitled to vote registered in the name of such Stockholder on the books of the Corporation on the applicable record date fixed pursuant to these By-Laws. At all elections of directors the voting may but need not be by ballot and, when a quorum is present, directors shall be elected by the affirmative vote of holders of a plurality of the stock present in person or represented by proxy and entitled to vote on such election. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one on which by express provision of applicable law (including the General Corporation Law of the State of Delaware), the Certificate of Incorporation or these By-laws, a different vote is required in which case such express provision shall govern and control the decision of such question.

(b) Any action required or permitted to be taken at any meeting of Stockholders may, except as otherwise required by law or the Certificate of Incorporation, be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and the writing or writings are filed with the permanent records of the Corporation. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those Stockholders who have not consented in writing.

(c) Where a separate vote by a class or classes is required, the affirmative vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class, unless otherwise provided by the General Corporation Law of the State of Delaware or in the Corporation's Certificate of Incorporation.

SECTION 6. Inspector of Election. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not so appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all Stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question or matter determined by such inspector or inspectors and execute a certificate of any fact found by such inspector or inspectors.

SECTION 7. Notice Of Stockholder Business.

(a) At an annual meeting of the Stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of meeting; (ii) by or at the direction of the Board of Directors; or (iii) by any Stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Section 7, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 7.

(b) For business to be properly brought before an annual meeting by a Stockholder pursuant to clause (a) (iii) of this Section 7, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 120 days nor more than 150 days prior to the first anniversary of the date of the Company's 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. A Stockholder's notice to the Secretary shall set forth as to each matter the Stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting; (ii) the name and address, as they appear on the Corporation's books, of the Stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class and number of shares of the Corporation which are owned beneficially and of record by such Stockholder of record and by the beneficial owner, if any, on whose behalf the proposal is made; and (iv) any material interest of such Stockholder of record and the beneficial owner, if any, on whose behalf the proposal is made in such business.

(c) Notwithstanding anything in these By-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 7. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures prescribed by these By-laws, and if he should so determine, he shall so declare to the meeting and such business shall not be transacted. Notwithstanding the foregoing provisions of this Section 7, a Stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 7.

SECTION 8. Stockholder Request For Action By Written Consent. Any Stockholder of record seeking to have the Stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date in accordance with Section 3(b) of Article VI hereof. The Board of Directors shall promptly, but in all events within ten days after the date on which such a request is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to Section 3(b) of Article VI hereof). If no record date has been fixed by the Board of Directors within such ten-day period, the record date shall be determined in accordance with the provisions of Section 3(b) of Article VI hereof.

ARTICLE II

Board of Directors

SECTION 1. General Powers. The business, property and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors.

SECTION 2. Qualification; Number; Term; Remuneration.

(a) Each director shall be at least 18 years of age. A director need not be a Stockholder, a citizen of the United States, or a resident of the State of Delaware. The number of directors constituting the entire Board shall be one or such other number as may be fixed from time to time by the Board of Directors. One of the directors may be selected by the Board of Directors to be its Chairman, who shall preside at meetings of the Stockholders and the Board of Directors and shall have such other duties, if any, as may from time to time be assigned by the Board of Directors. In the absence of formal selection, the President of the Corporation shall serve as Chairman. The use of the phrase "entire Board" herein refers to the total number of directors which the Corporation would have if there were no vacancies.

(b) Directors who are elected at an annual meeting of Stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of Stockholders and until their successors are elected and qualified or until their earlier resignation or removal.

(c) Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary for serving as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing Committees may be allowed like compensation for attending Committee meetings.

SECTION 3. Quorum and Manner of Voting. Except as otherwise provided by law, a majority of the entire Board of Directors shall constitute a quorum. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting from time to time to another time and place without notice. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 4. *Places of Meetings.* Meetings of the Board of Directors may be held at any place within or without the State of Delaware, as may from time to time be fixed by resolution of the Board of Directors, or as may be specified in the notice of meeting.

SECTION 5. *Annual Meeting.* Following the annual meeting of Stockholders, the newly elected Board of Directors shall meet for the purpose of the election of officers and the transaction of such other business as may properly come before the meeting. Such meeting may be held without notice immediately after the annual meeting of Stockholders at the same place at which such Stockholders' meeting is held.

SECTION 6. *Regular Meetings.* Regular meetings of the Board of Directors shall be held at such times and places as the Board of Directors shall from time to time by resolution determine.

SECTION 7. *Special Meetings.* Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, President, or by a majority of the directors then in office.

SECTION 8. *Notice of Meetings.* A notice of the place, date and time and the purpose or purposes of each meeting of the Board of Directors shall be given to each director by mailing the same at least two days before the meeting, or by telephoning or faxing the same or by delivering the same personally not later than the day before the day of the meeting.

SECTION 9. *Organization.* At all meetings of the Board of Directors, the Chairman or in the Chairman's absence or inability to act, the President, or in the President's absence, a Chairman chosen by the directors, shall preside. The Secretary of the Corporation shall act as secretary at all meetings of the Board of Directors when present, and, in the Secretary's absence, the presiding officer may appoint any person to act as Secretary.

SECTION 10. *Resignation.* Any director may resign at any time upon written notice to the Corporation and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares of stock outstanding and entitled to vote for the election of directors.

SECTION 11. *Vacancies.* Unless otherwise provided in these By-Laws, vacancies on the Board of Directors, whether caused by resignation, death, disqualification, removal, an increase in the authorized number of directors or otherwise, may be filled by the affirmative vote of a majority of the remaining directors, although less than a quorum, or by a sole remaining director, or at a special meeting of the Stockholders, by vote of the Stockholders required for the election of directors generally.

SECTION 12. *Action by Written Consent.* Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all the directors consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

SECTION 13. *Electronic Communication.* Any member or members of the Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other.

SECTION 14. *Nomination Of Directors.*

(a) Only persons who are nominated in accordance with the procedures set forth in these By-laws shall be eligible to serve as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of Stockholders (i) by or at the direction of the Board of Directors or (ii) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of notice provided for in Section 14(b) below, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in Section 14(b) below.

(b) Nominations by Stockholders shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 120 days nor more than 150 days prior to the first anniversary of the date of the Company's notice of annual meeting for the preceding year's annual meeting; provided however, that in the event that the date of the annual 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 so received not 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 and (ii) in the case of a special meeting at which directors are to be elected, not 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. Such Stockholder's notice shall set forth (i) as to each person whom the Stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to the Stockholder giving the notice (x) the name and address, as they appear on the Corporation's books, of such Stockholder, (y) the class and number of shares of the Corporation which are beneficially owned by such Stockholder and also which are owned of record by such Stockholder; and (iii) as to the beneficial owner, if any, on whose behalf the nomination is made, (x) the name and address of such person, and (y) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a Stockholder's notice of nomination which pertains to the nominee.

(c) No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in Section 14(b) above. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these By-laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 14, a Stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 14.

ARTICLE III

Committees

SECTION 1. *Appointment.* The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more Committees, each Committee to consist of two or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any Committee, who may replace any absent or disqualified member at any meeting of the Committee. Any such Committee, to the extent provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such Committee or Committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

SECTION 2. *Procedures; Quorum and Manner of Acting.* Each Committee shall fix its own rules of procedure, and shall meet where and as provided by such rules or by resolution of the Board of Directors. Except as otherwise provided by law, the presence of a majority of the then appointed members of a Committee shall constitute a quorum for the transaction of business by that Committee, and in every case where a quorum is present the affirmative vote of a majority of the members of the Committee present shall be the act of the Committee. Each Committee shall keep minutes of its proceedings, and actions taken by a Committee shall be reported to the Board of Directors.

SECTION 3. *Action by Written Consent.* Any action required or permitted to be taken at any meeting of any Committee of the Board of Directors may be taken without a meeting if all the members of the Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Committee.

SECTION 4. *Electronic Communication.* Any member or members of a Committee of the Board of Directors may participate in a meeting of a Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other.

SECTION 5. *Termination.* In the event any person shall cease to be a director of the Corporation, such person shall simultaneously therewith cease to be a member of any Committee appointed by the Board of Directors.

ARTICLE IV

Officers

SECTION 1. *Election and Qualifications.* The Board of Directors at its first meeting held after each annual meeting of Stockholders shall elect the officers of the Corporation, which shall include a President and a Secretary, and may include, by election or appointment, one or more Vice-Presidents (any one or more of whom may be given an additional designation of rank or function), a Treasurer and such Assistant Secretaries, such Assistant Treasurers, and such other officers as the Board of Directors may from time to time deem proper. Each officer shall have such powers and duties as may be prescribed by these By-Laws and as may be assigned by the Board of Directors or the President. Any two or more offices may be held by the same person.

SECTION 2. *Term of Office and Remuneration.* The term of office of all officers shall be one year and until their respective successors have been elected and qualified, but any officer may be removed from office, either with or without cause, at any time by the Board of Directors. Any vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of Directors. The remuneration of all officers of the Corporation may be fixed by the Board of Directors or in such manner as the Board of Directors shall provide.

SECTION 3. *Resignation; Removal.* Any officer may resign at any time upon written notice to the Corporation and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Any officer shall be subject to removal, with or without cause, at any time by the Board of Directors.

SECTION 4. *Powers and Duties of Officers.*

(a) The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the Stockholders and the Board of Directors and shall have such other powers and duties as may from time to time be assigned by the Board of Directors.

(b) The President shall be the chief executive officer of the Corporation and, in the absence of the Chairman or if there is no Chairman, shall preside at all meetings of the Stockholders and of the Board of Directors. The President shall have general management of and supervisory authority over the property, business and affairs of the Corporation and its other officers. The President may execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and instruments, and shall have such other authority and perform such other duties as from time to time may be assigned by the Board of Directors. The President shall see that all orders and resolutions of the Board of Directors are carried into effect and shall perform such additional duties that usually pertain to this office.

(c) A Vice President may execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and instruments pertaining to the regular course of such Vice President's duties, and shall have such other authority and perform such other duties as from time to time may be assigned by the Board of Directors or the President.

(d) The Treasurer shall in general have all duties and authority incident to the position of Treasurer and such other duties and authority as may be assigned by the Board of Directors or the President. The Treasurer shall keep full and accurate accounts of receipts and disbursement in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by or at the direction of the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the President, and shall render, upon request, an account of all such transactions.

(e) The Secretary shall in general have all the duties and authority incident to the position of Secretary and such other duties and authority as may be assigned by the Board of Directors or the President. The Secretary shall attend all meetings of the Board of Directors and all meetings of Stockholders and record all the proceedings thereat in a book or books to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the Stockholders and special meetings of the Board of Directors. The Secretary shall have custody of the seal of the Corporation and any officer of the Corporation shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or any other officer.

(f) Any assistant officer shall have such duties and authority as the officer such assistant officer assists and, in addition, such other duties and authority as the Board of Directors or President shall from time to time assign.

ARTICLE V

Contracts, Etc.

SECTION 1. *Contracts.* The Board of Directors may authorize any person or persons, in the name and on behalf of the Corporation, to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

SECTION 2. *Proxies; Powers of Attorney; Other Instruments.*

(a) The Chairman, the President, any Vice President, the Treasurer or any other person designated by any of them shall have the power and authority to execute and deliver proxies, powers of attorney and other instruments on behalf of the Corporation in connection with the execution of contracts, the purchase of real or personal property, the rights and powers incident to the ownership of stock by the Corporation and such other situations as the Chairman, the President, such Vice President or the Treasurer shall approve, such approval to be conclusively evidenced by the execution of such proxy, power of attorney or other instrument on behalf of the Corporation.

(b) The Chairman, the President, any Vice President, the Treasurer or any other person authorized by proxy or power of attorney executed and delivered by any of them on behalf of the Corporation may attend and vote at any meeting of stockholders of any company in which the Corporation may hold stock, and may exercise on behalf of the Corporation any and all of the rights and powers incident to the ownership of such stock at any such meeting, or otherwise as specified in the proxy or power of attorney so authorizing any such person. The Board of Directors, from time to time, may confer like powers upon any other person.

ARTICLE VI

Books and Records

SECTION 1. *Location.* The books and records of the Corporation may be kept at such place or places within or outside the State of Delaware as the Board of Directors or the respective officers in charge thereof may from time to time determine. The record books containing the names and addresses of all Stockholders, the number and class of shares of stock held by each and the dates when they respectively became the owners of record thereof shall be kept by the Secretary as prescribed in the By-Laws or by such officer or agent as shall be designated by the Board of Directors.

SECTION 2. *Addresses of Stockholders.* Notices of meetings and all other corporate notices may be delivered personally or mailed to each Stockholder at the Stockholder's address as it appears on the records of the Corporation.

SECTION 3. *Fixing Date for Determination of Stockholders of Record.*

(a) In order that the Corporation may determine the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date shall not be more than sixty days nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of Stockholders of record entitled to notice of or to vote at a meeting of Stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the Stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of Stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the Stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the Stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action not contemplated by paragraph (a) or (b) of this Section 3, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining Stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE VII

Certificates Representing Stock

SECTION 1. *Certificates; Signatures.* The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate, signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, or the President or Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, representing the number of shares registered in certificate form. Any and all signatures on any such certificate may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. The name of the holder of record of the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the books of the Corporation. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

SECTION 2. *Transfers of Stock.* Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, shares of capital stock shall be transferable on the books of the Corporation only by the holder of record thereof in person, or by duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares, properly endorsed, and the payment of all taxes due thereon.

SECTION 3. *Fractional Shares.* The Corporation may, but shall not be required to, issue certificates for fractions of a share where necessary to effect authorized transactions, or the Corporation may pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or it may issue scrip in registered or bearer form over the manual or facsimile signature of an officer of the Corporation or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a Stockholder except as therein provided.

SECTION 4. *Lost, Stolen or Destroyed Certificates.* The Corporation may issue a new certificate of stock in place of any certificate, theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Board of Directors may require the owner of any lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

ARTICLE VIII

Dividends

Subject to the provisions of applicable law and the Certificate of Incorporation, the Board of Directors shall have full power to determine whether any, and, if any, what part of any, funds legally available for the payment of dividends shall be declared as dividends and paid to Stockholders; the division of the whole or any part of such funds of the Corporation shall rest wholly within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the Stockholders as dividends or otherwise; and before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve. Stockholders shall receive dividends pro rata in proportion to the number of shares of Common Stock respectively held by them. A holder of Common Stock shall be deemed to share pro rata in all dividends declared by the Board of Directors within the meaning of the preceding sentence if such Stockholder receives assets (whether consisting of cash, securities, real property, equipment, inventory or other assets) the fair market value of which is in the same proportion to the fair market value of the total assets of the Corporation distributed as a dividend as the number of shares of Common Stock held by such holder of Common Stock is to the total number of issued and outstanding shares of Common Stock of the Corporation. A Stockholder shall not have the right to receive a pro rata share of each or any such asset distributed as a dividend, however, the Corporation shall not be prohibited hereby from making a pro rata distribution of each or any such asset available for distribution as a dividend. The fair market value of any and all assets of the Corporation distributed as a dividend shall be determined in the sole discretion of the Corporation's Board of Directors.

ARTICLE IX

Ratification

Any transaction, questioned in any lawsuit on the ground of lack of authority, defective or irregular execution, adverse interest of any director, officer or Stockholder, non disclosure, miscomputation, or the application of improper principles or practices of accounting, may be ratified before or after judgment, by the Board of Directors or by the Stockholders, as appropriate, and if so ratified shall have the same force and effect as if the questioned transaction had been originally duly authorized. Such ratification shall be binding upon the Corporation and its Stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE X

Corporate Seal

The corporate seal shall contain the words "Corporate Seal" and such additional information as the officer inscribing such seal shall determine in such officer's sole discretion. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise displayed or it may be manually inscribed.

ARTICLE XI

Fiscal Year

The fiscal year of the Corporation shall be fixed, and shall be subject to change, by the Board of Directors. Unless otherwise fixed by the Board of Directors, the fiscal year of the Corporation shall end on September 30.

ARTICLE XII

Waiver of Notice

Whenever notice is required to be given by these By-Laws or by the Certificate of Incorporation or by law, a written waiver thereof, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

ARTICLE XIII

Amendments

The Board of Directors shall have power to adopt, amend or repeal By-Laws. By-Laws adopted by the Board of Directors may be repealed or changed, and new By-Laws made, by the Stockholders, and the Stockholders may prescribe that any By-Law made by them shall not be altered, amended or repealed by the Board of Directors.

ARTICLE XIV

Indemnification

SECTION 1. *Power to Indemnify in Action, Suits or Proceedings Other Than Those By or In The Right of the Corporation.* Subject to Section 3 of this Article XIV, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' and other professionals' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful.

SECTION 2. *Power to Indemnify in Actions, Suits or Proceedings By or In The Right of the Corporation.* Subject to Section 3 of this Article XIV, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' and other professionals' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 3. Authorization of Indemnification. Any indemnification under this Article XIV (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article XIV, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding (i.e. disinterested directors), (ii) by a committee of such disinterested directors designated by majority vote of such directors, even though less than a quorum, (iii) if there are no such disinterested directors, or, if such directors so direct, by independent legal counsel in a written opinion, or (iv) if the Board of Directors so directs, by the Stockholders. To the extent, however, that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' and other professionals' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

SECTION 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article XIV, a person shall be deemed to have acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe the conduct was unlawful, if the action is based on (a) the records or books of account of the Corporation or another enterprise (as defined below in this Section 4), or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, unless such person had reasonable cause to believe that reliance thereon would not be justifiable, or on (b) the advice of legal counsel for the Corporation or another enterprise, or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant, independent financial adviser, appraiser or other expert, as to matters reasonably believed to be within such other person's professional or expert competence. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article XIV, as the case may be.

SECTION 5. Indemnification By A Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article XIV, and notwithstanding the absence of any determination thereunder, any director, officer, employee or agent may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article XIV. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article XIV, as the case may be. Notice of any application for indemnification pursuant to this Section shall be given to the Corporation promptly upon the filing of such application.

SECTION 6. Expenses Payable In Advance. Expenses (including attorneys' and other professionals' fees) incurred by an officer or director in defending any threatened or pending civil, criminal, administrative or investigative action, suit or proceeding may, but shall not be required to, be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer, to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article XIV. Such expenses (including attorneys' and other professionals' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

SECTION 7. Non-Exclusivity and Survival of Indemnification. The indemnification and advancement of expenses provided by or granted pursuant to this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, contract, vote of Stockholders or of disinterested directors, or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article XIV (as distinguished from advancement of funds pursuant to Section 6 of this Article XIV) shall be made to the fullest extent permitted by law, including as a result of any amendment of the General Corporation Law of the State of Delaware expanding the right of corporations to indemnify directors, officers, employees or agents. The provisions of this Article XIV shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 and 2 of this Article XIV but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided by this Article XIV shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors, administrators and other comparable legal representatives of such person. The rights conferred in this Article XIV shall be enforceable as contract rights, and shall continue to exist after any rescission or restrictive modification hereof with respect to events occurring prior thereto.

SECTION 8. Meaning of "other enterprises" in connection with Employee Benefit Plans, etc. For purposes of this Article XIV (including Sections 1, 2, 4 and 9 hereof), references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who has acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article XIV.

SECTION 9. Insurance. The Corporation may, but shall not be required to, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article XIV.

Beazer Homes USA, Inc.
2005 Value Created Incentive Plan
Effective October 1, 2004

Participation

Participation in the **2005 Value Created Incentive Plan** ("VCIP" or "Plan") is at the discretion of the Compensation Committee of the Board of Directors and is generally available only to designated senior managers who are full-time employees of Beazer Homes USA, Inc. and its divisions and subsidiaries. Any participant who ceases to be a full-time employee will cease participation in the Plan at that time. Other employees may be compensated based on variations of the Plan; however, such variations will not be considered to be part of this Plan. Employees in Corporate positions of Senior Vice President and above are not participants in this Plan. Certain modifications to the Plan, described in Addendum A, apply to Senior Regional Presidents only.

Definitions

EBIT - Earnings Before Interest and Taxes.

Value Created (VC) - EBIT less a Capital Charge based on Capital Employed.

Incremental Value Created (IVC) - Increase or decrease in Value Created compared to the prior year.

Capital Employed - Total Assets, excluding cash less Total Liabilities (other than debt). Also equal to total debt plus total equity, less cash on hand. This represents the total book value of the investment in the business. Capital Employed is determined monthly, and the annual measure is an average of the year's twelve monthly measures.

Capital Charge - A charge for the use of Capital Employed in the business. For the Plan, the basic Capital Charge is 14% of the Capital Employed. The Capital Charge for purposes of this Plan shall be determined from time to time by, and may be adjusted individually or for the participants as a whole, at the discretion of the Compensation Committee of the Board of Directors.

Adjustments to Capital Charge - The Compensation Committee, in its sole discretion, may approve objectively measurable adjustments to the Capital Charge, and therefore to VC and IVC, in recognition of special circumstances or to provide special incentives in the long term interests of value creation. As an example, in 2005, a credit will be granted for purchases of land in advance of the immediate need for developments which qualify for, and are designated as, parcels for the Beazer Strategic Land Bank, thereby encouraging commitments for future land developments.

Beazer Homes USA, Inc.
2005 Value Created Incentive Plan

Plan Rules

1. **Initial Bank**
Each participant may have a bank set up when they enter the Plan. The maximum initial amount in the bank is half of the participant's salary. The initial amount in the Bank under this Plan for participants who participated in any of the Company's prior VCIPs is their former bank balance adjusted pursuant to Section 6.
2. **Funding of the Potential Annual Awards, and Percentages of VC and IVC**
Each year, the participant's potential award will be funded based upon a set percentage of VC (if positive) and a set percentage of IVC (if positive). The percentage used of VC will vary based upon the level of VC and will decrease as VC increases. The percentage of IVC is fixed regardless of the level of VC or IVC. Exact percentages are determined by the participant's position. Actual incentive payments to each participant are subject to adjustments for three additional performance factors: (a) Profitable Growth, (b) Customer Satisfaction and (c) Construction Quality and Workplace Safety. These additional factors are outlined in Section 9.
3. **Same Percentages of VC and IVC Put in Bank**
Each year, the same percentage of VC and the same percentage of IVC used in 2, above, are also put into a bank. Unlike the annual payment, however, both positive and negative numbers are put in the bank. The bank balance can become negative. The bank is subject to a maximum limit (see Section 6).
4. **One-Third of Bank Paid Out Each Year**
Each year, after adding or subtracting the current year's amounts to the bank, one-third of the bank is paid out.
5. **Maximum Cash Payment Under Plan Is Set Multiple of Salary; Excess in Bank**
Subject to Section 10 below, the maximum annual cash payment is determined as a set multiple of the participant's annual salary for that year. The multiple increases as VC increases. Any excess over the maximum amount remains in the bank, subject to the limit described in Section 6.
6. **Bank Has Maximum Limit, Excess Paid in Restricted Stock and/or Deferred Compensation**
The maximum balance of the bank, after current year additions and payments, is equal to one time that year's maximum cash payment. Twenty-five percent (25%) of any amount over this limit will be awarded in a combination of restricted stock and/or deferred compensation (see Section 13). The remaining 75% of that excess is forfeited. Any restricted stock and/or deferred compensation will vest three years after the end of the fiscal year and is forfeited upon severance, resignation, retirement, death, or termination for any reason before vesting.
7. **Ten Percent of Bank Paid in Deferred Compensation**
At the end of each year, 10% of the ending bank, after current year adjustments, cash payments and any reduction for excess over maximum limit, will be awarded as deferred compensation. Such deferred compensation will vest three years after the end of the fiscal year and is forfeited upon severance, resignation, retirement, death, or termination for any reason before vesting.
8. **Bank Is Carried Forward And Is Lost Upon Termination**
The bank balance, positive or negative, is carried forward to the next year. Any positive balance in the bank is at risk and may be reduced or eliminated by performance in subsequent years. The bank is forfeited upon severance, resignation, retirement, death, or termination for any reason. The bank is also forfeited when any participant ceases to be a full-time employee. The bank is not deferred compensation. It represents future bonus potential based upon a combination of both past and future performance.

Beazer Homes USA, Inc.
2005 Value Created Incentive Plan

9. **Additional Performance Factors-Adjustments to Potential Annual Payment**

Actual Incentive Payments are funded based upon 100% of the calculated Value Created and Incremental Value Created results up to the maximum amount, and are adjusted by the following performance factors and percentages. The Compensation Committee shall adopt from time to time a schedule showing the percentage adjustments based on scores or other elements achieved with respect to the following:

- | | | |
|-----|---|-------------|
| (a) | Profitable Growth: | 0% to +10% |
| (b) | Customer Satisfaction: | -10% to +5% |
| (c) | Construction Quality and Workplace Safety: | -10% to +5% |

Actual incentive payments adjustments can vary from -20% to +20% of the amount that would be payable under VCIP before performance factor adjustments. Each factor is outlined below.

(a) Profitable Growth: To encourage growth in both revenue and profit margin, with a higher weighting toward improving profit margin as compared to revenue growth. However, no positive adjustment to the incentive payment would occur without revenue growth over the prior year.

(b) Customer Satisfaction: To encourage customer service, referrals, and Beazer brand development, adjustments will occur based upon the results of customer satisfaction surveys:

Recommend to a Friend:	-5% to + 2.5%
Total Satisfaction:	-2.5% to + 1.25%
Overall Service Satisfaction:	-2.5% to +1.25%

(c) Construction Quality and Workplace Safety: To encourage high standards of construction, workplace safety, and administrative process, Construction and Safety Evaluation scores will be used to adjust incentive payments using the following percentages:

Construction Quality:	-2.5% to +1.25%
Workplace Safety:	-2.5% to +1.25%
Overall Score:	-5% to +2.5%

Overall Score incorporates Construction, Safety and the Administrative factors of Engineering, Purchasing, and Insurance.

10. **Election to Defer Portion of Annual Cash Payment**

Participants may elect to defer a portion of the cash bonus under the Corporate Management Stock Purchase Program (CMSPP) and/or the Deferred Compensation Plan (DCP) no later than the December 31st preceding the calendar year to which a bonus relates, Details of the CMSPP and the DCP are available separately from the Corporate Human Resources Department.

11. **Annual Total Award Limit**

The maximum total amount of cash, restricted stock (valued at the current stock price) and deferred compensation paid and/or awarded to any participant in any one year is \$5,000,000 excluding the Performance Factor adjustments, and \$6,000,000 including the Performance Factor adjustments.

Beazer Homes USA, Inc.
2005 Value Created Incentive Plan

12. **Payments At Discretion of Compensation Committee; Review and Amendment**

Payments under this Plan are made subject to the sole discretion of the Compensation Committee of the Board of Directors. Without limiting the foregoing, the Committee may reduce or disallow any payment or award under this Plan on a case-by-case basis in appropriate circumstances, including the following: (a) if a participant has breached any corporate policy or ethical standard, or (b) if a participant has pursued any particular business policy to advance self-interest at the expense of the interests or policies of the Company, provided that no such reduction or disallowance shall be allowed to cause an increase in any other participant's payment or award under this Plan. Annually, the Compensation Committee will review and confirm the calculations of payments and awards to be made and document such review in writing prior to such payments and awards being made. The Compensation Committee intends to review the Value Created Incentive Plan for potential changes at least every three years and reserves the right to amend it for any fiscal year prior to the commencement of such fiscal year, subject to shareholder approval if required by law or the rules of the NYSE.

13. **Restricted Stock And Deferred Compensation**

Restricted stock awarded under this Plan is awarded based upon the closing stock price as of the date of such award. The combination of restricted stock and deferred compensation to be awarded under Section 6 will be determined by the Compensation Committee based upon an aggregate limitation of 40,000 shares of restricted stock in any one year. Restricted stock and deferred compensation awarded under this Plan are subject to the terms of any Beazer plan under which such restricted stock is issued or deferred compensation is awarded above; such reduction will be made pro rata among those participants receiving restricted stock.

14. **Status of Value Created Incentive Plan and Tax Deductibility**

This VCIP is effective October 1, 2004. The prior VCIP is terminated as of September 30, 2004 for the participants under this Plan.

15. **Senior Regional Presidents**

Senior Regional Presidents will be subject to variations of the Plan as described in Addendum A, provided to Senior Regional Presidents.

Beazer Homes USA, Inc.
2005 Value Created Incentive Plan

Addendum A

Senior Regional Presidents (SRPs) will be subject to the terms of the 2005 VCIP with the following exceptions:

1. **Capital Charge:** The Capital Charge is currently 11% of Average Capital Employed, but may be adjusted by the Compensation Committee from time to time.
2. **Adjustments to Capital Charge:** Twenty percent (20%) of all land purchased each year will qualify as Strategic Land Bank acquisitions, the effect of which will be a reduction of the capital charge by 11% of the qualifying 20%.
3. **Participation in the Consolidated Performance:** To encourage inter-regional cooperation for the benefit of the Company as a whole, SRPs will have an upward or downward adjustment in their bonus payment by participation in the financial performance of the consolidated corporation. In principle, 75% of their bonus will be dependent on regional performance and 25% on the performance of the total Company. To determine the corporate bonus factor, a "corporate" sheet will be prepared using:
 - a. Corporate financial performance data for VC, IVC, Profitable Growth, Customer Satisfaction and Construction Quality and Workplace Safety. Any appropriate adjustments in the corporate sheet for Land Bank acquisitions or excess cash balances will also be utilized.
 - b. The SRP's individual salary and bonus cap multiples.
 - c. Percentages applied to VC and IVC as determined specifically for the SRPs by the Compensation Committee and subject to change by the Compensation Committee from time to time.
 - d. Opening bank that is the same each year as the SRP's regional opening bank.
4. **Combining:** The resulting indicated corporate bonus is then combined with the bonus that would be paid on the region's performance alone, with a 25% weight to the corporate bonus and a 75% weight applied to the regional bonus, to determine the actual bonus to be paid. The result could be higher or lower than the regional bonus alone. The regional performance calculations alone will be used to determine the SRP's bank, deferred compensation, and conversion of excess bank balance, if any. The SRP's cash payment will be calculated based on the weightings of 25% corporate and 75% regional performance, as outlined above.

**BEAZER HOMES USA, INC.
AMENDED AND RESTATED
CORPORATE MANAGEMENT STOCK PURCHASE PROGRAM**

Article 1 - Introduction

The Beazer Homes USA, Inc. Corporate Management Stock Purchase Program, originally adopted pursuant to the 1994 Stock Incentive Plan, is hereby amended and restated as set forth herein. The Amended and Restated Corporate Management Stock Purchase Program is adopted pursuant to the 1994 and 1999 Stock Incentive Plans and is governed by the terms of the 1999 Stock Incentive Plan, provided that Awards hereunder originally made pursuant to the 1994 Stock Incentive Plan will continue to be governed by the terms thereof. The purpose of the Program is to provide a mechanism in accordance with the terms of the 1999 Stock Incentive Plan for Beazer executives to acquire Company stock. This is accomplished by the Beazer executives deferring for a minimum of three years a portion or all of any cash bonus to which they are entitled and receiving an award of Restricted Stock Units at a discount in lieu thereof, thus aligning executives' and shareholders' interest in the Company as well as providing the executives with incentives of a discount on the stock and a tax deferral.

Article 2 - Definitions

- 2.1 Award - shall mean Restricted Stock Units granted under the Program.
- 2.2 Award Agreement - shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Program.
- 2.3 Award Date - shall mean the last business day of a Fiscal Year.
- 2.4 Beneficiary - shall mean a beneficiary or beneficiaries designated by Participant under Article 7.
- 2.5 Board - shall mean the Board of Directors of the Company.
- 2.6 Bonus - shall mean a bonus awarded under the incentive plan(s) in place for Beazer executives for a Fiscal Year.
- 2.7 Committee - shall mean the Stock Option and Incentive Committee or any other Committee of the Board designated by the Board to administer the Plan which shall consist of at least two members appointed from time to time by the Board. Each Committee member must qualify as an "outside director" as defined in the Treasury Regulation §1.162-27(e)(3) (or any successor rule) and, to the extent necessary to qualify Awards hereunder for exemption from the liability provisions of Rule 16b-3, a "non-employee director" as defined in Reg. §240.16b-3(b)(3) (or any successor rule) of the Securities Exchange Act of 1934.
- 2.8 Company - shall mean Beazer Homes USA, Inc. and its subsidiaries.
- 2.9 Cost - shall mean the amount actually paid for a Restricted Stock Unit.
- 2.10 Deferral Period - shall mean a period of time (expressed in whole months) of not less than thirty-six months and not greater than 119 months in length beginning on an Award Date specified with respect to Restricted Stock Units awarded on that Award Date. A Participant may elect on his/her Election Form delivered to the Company as required in Section 5.2, any Deferral Period with respect to Restricted Stock Units awarded to the first day of any month which is more than thirty-six months after the Award Date, but less than 120 months after the Award Date.
- 2.11 Discounted Cost - shall mean 80% of the Fair Market Value of a share of Common Stock on the Award Date.
- 2.12 Election Form - shall mean the form on which the Participant elects to defer a portion of his/her annual bonus and receive an Award.
- 2.13 Fair Market Value - shall mean the fair market value of any property (including, but not limited to, shares of Common Stock or other security) determined by a valuation method as established by the Committee from time to time. However, for purposes of the Program, the Fair Market Value of shares of Common Stock on any day on which shares of Common Stock are traded on the New York Stock Exchange ("NYSE") or any other nationally recognized stock exchange or automated quotation system shall be the closing price of such shares of Common Stock as reported by the NYSE or such other exchange or quotation system.

- 2.14 Fiscal Year - shall mean the fiscal year of the Company.
- 2.15 Participant - shall mean an executive participating in this Program.
- 2.16 Plan - shall mean the Beazer Homes USA, Inc. 1999 Stock Incentive Plan.
- 2.17 Program - shall mean this Beazer Homes USA, Inc. Amended and Restated Corporate Management Stock Purchase Program.
- 2.18 Restricted Stock Unit or RSU - shall mean a bookkeeping entry representing the right to receive a share of Common Stock at some future date. A holder of RSUs shall not be entitled to voting rights on any Shares to which the RSUs relate. The fair market value of an RSU on any date shall be deemed to be the Fair Market Value of a share of Common Stock on that date.
- 2.19 Subsidiary - shall mean a company at least 50% of whose issued and outstanding stock is owned directly or indirectly by the Company.

All capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Plan.

Article 3 - Administration

- 3.1 Power and Authority of the Committee. The Program shall be administered by the Committee. Subject to the express provisions of this Program, the Plan and applicable law, the Committee shall have complete discretion and authority with respect to the Program and its interpretation and application. Determination by the Committee shall be final and binding on all parties with respect to all matters relating to the Program.
- 3.2 Delegation. The Committee may delegate its powers and duties under the Program to one or more officers of the Company or any Affiliate or a committee of such officers, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion and subject to the requirements of the Plan.

Article 4 - Eligibility

All employees of the Company and its Subsidiaries who participate in the incentive plan in place for Beazer executives shall be eligible to participate in the Program.

Article 5 - Purchases

- 5.1 General. Each Participant shall be entitled to elect to defer all or a portion of his/her Bonus on a pre-tax basis and receive an award of RSUs at some future date. The number of RSUs to be awarded to Participants shall be determined using the Discounted Cost of the Common Stock on the Award Date.
- 5.2 Purchases. For each Fiscal Year, each Participant may elect to receive all or a portion (in whole percentages) of his/her Bonus for that Fiscal Year as an award of RSUs (the "Discretionary Amount" and "Credited Amount") by completing an Election Form. The Election Form shall provide that the Participant elects to receive RSUs in lieu of a specified portion of his/her Bonus. Each Election Form shall specify a Deferral Period with respect to the RSUs to which it pertains. Election Forms must be received by the Company no later than the last business day of the Fiscal Year immediately preceding the Fiscal Year for which such Bonus amount is earned and paid.

- 5.3 Award of RSUs. The Company shall award RSUs to each Participant on the Award Date. Each Participant shall be credited with a whole number of RSUs determined by dividing (a) the amount of the Discretionary Amount to be received as an award of RSUs under paragraph 5.2 by (b) the Discounted Cost of a share of Common Stock on the Award Date. No fractional RSU will be credited and the amount equivalent in value to the fractional RSU will be paid out to the Participant currently in cash. An Award Agreement will be forwarded as soon as practicable after the Award Date.

Article 6 - Vesting and Payment of RSUs

- 6.1 Vesting. A Participant shall be fully vested in each RSU 36 months after the Award Date pertaining to that RSU provided that the Participant has remained an employee for that entire 36-month period.
- 6.2 Payment after Vesting. With respect to each vested RSU, the Company shall issue to the Participant one share of Common Stock (“Deferred Compensation Share”) as soon as practicable after the end of the Deferral Period specified in the Participant’s Award Agreement.
- 6.3 Payment Prior to Vesting. In the event the Participant does not remain an employee until the end of the 36-month period due to:
- (a) Termination for Cause (as defined in an Award Agreement), the Participant shall be entitled to receive from the Company payment in an aggregate amount equal to the lesser of (x) the Credited Amount, or (y) the Fair Market Value of the number of shares of Common Stock represented by the RSUs on the date of termination of the Participant;
 - (b) Voluntary resignation or otherwise voluntarily terminating his/her employment with the Company or one of its Subsidiaries for any reason other than as the result of his or her death, “incapacity” (as defined in an Award Agreement) or retirement, the Participant shall receive from the Company payment in an aggregate amount equal to the lesser of (x) the Credited Amount, or (y) the Fair Market Value of the number of shares of Common Stock represented by the RSUs on the date of resignation or termination by Participant.
 - (c) Termination by the Company for any reason other than “Cause”, Participant shall be entitled to receive from the Company: (i) the pro rata portion (the “Issuable Shares”) of the Deferred Compensation Shares which is the product of (x) the aggregate number of Deferred Compensation Shares into which the Credited Amount would be convertible at the end of the Deferral Period in accordance with the provisions of Article 6.2 hereof and (y) a fraction, the numerator of which is the number of whole months elapsed since the Award Date and the denominator of which is thirty-six (36); and (iii) in respect of the pro rata portion of the Credited Amount which is not converted into Issuable Shares (the “Remaining Credit”), payment is an aggregate amount equal to the lesser of (xx) the Remaining Credit, or (yy) the Fair Market Value, on the date of termination of Participant, of that number of Deferred Compensation Shares into which the Remaining Credit would have been converted in accordance with the provisions of Article 6.2 hereof.
 - (d) Termination as the result of death, “incapacity” (as defined in an Award Agreement) or retirement, the Credited Amount shall be automatically converted, as of the date of such termination of Participant, into Deferred Compensation Shares in accordance with the provisions of Article 6.2 hereof.
 - (e) Change of Control of the Company (as defined in an Award Agreement), the Credited Amount shall be automatically converted into Deferred Compensation Shares in accordance with the provisions of Article 6.2 hereof.

Article 7 - Designation of Beneficiary

A Participant may designate one or more Beneficiaries to receive payments or shares of Common Stock in the event of his/her death. A designation of Beneficiary shall apply to a specified percentage of a Participant’s entire interest in the Program. Such designation, or any change therein, must be in writing and shall be effective upon receipt by the Company. If there is no effective designation of Beneficiary, or if no Beneficiary survives the Participant, the Participant’s estate shall be deemed to be the Beneficiary.

Article 8 - Amendment or Termination of Program

Subject to the requirements of the Plan, the Company reserves the right to amend or terminate the Program at any time, by action of the Board or a Committee delegated by the Board, provided that no such action shall adversely affect a Participant's rights under the Program with respect to RSUs awarded and vested before the date of such action.

Article 9 - Miscellaneous Provisions

- 9.1 **No Distribution; Compliance with Legal Requirements.** The Committee may require each person acquiring shares of Common Stock under the Program to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Common Stock shall be issued until all applicable securities law and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of such stop-orders and restrictive legends on certificates for Common Stock as it deems appropriate.
- 9.2 **Notices; Delivery of Stock Certificates.** Any notice required or permitted to be given by the Company or the Committee pursuant to the Program shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant at the last address shown for the Participant on the records of the Company. Delivery of stock certificates to persons entitled to receive them under the Program shall be deemed effected for all purposes when the Company or a share transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to such person at his/her last known address on file with the Company.
- 9.3 **Nontransferability of Rights.** During a Participant's lifetime, any payment or issuance of shares under the Program shall be made to him/her. No RSU or other interest under the Program shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt by a Participant or any Beneficiary under the Program to do so shall be void. No interest under the Program shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of a Participant or Beneficiary entitled thereto.
- 9.4 **Obligations Unfunded and Unsecured.** The Program shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company (including Common Stock) for payment of any amounts or issuance of any shares of Company Stock hereunder. No Participant or other person shall have any interest in any particular assets of the Company (including Common Stock) by reason of the right to receive payment under the Program, and any Participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Program.
- 9.5 **Effective Date of Amended and Restated Program.** The Program, as amended and restated, shall become effective as of the date of its approval by the Board.
- 9.6 **Incorporation of Plan.** This Program description is qualified in its entirety by the Plan. Should there be any discrepancy between this description and the Plan, the terms of the Plan shall govern, excluding definitions that are specifically provided herein.

Beazer Homes USA, Inc.
Customer Survey Incentive Plan

1. Summary

The Beazer Homes USA, Inc. Customer Survey Incentive Plan (CSIP) provides an override to our current Value Created Incentive Plan (VCIP). Under the CSIP, annual incentive payments made to participants in the VCIP will be increased by up to 10% should certain targets be met for customer satisfaction. In addition, should certain minimum standards for customer satisfaction not be met, the Stock Option and Incentive Committee of our Board of Directors will consider a discretionary reduction to the participant's incentive payment (if any) under the VCIP of up to 10%.

2. Background

We have been striving to improve customer satisfaction levels as this is a key determinant in future sales and profitability. We have been using an independent third party company, NRS Consumer Research, since January 1998. NRS conducts surveys for approximately 200 homebuilding companies/divisions including divisions of Centex, Ryland, Pulte, D.R. Horton, and Lennar. The data allows direct measurement against competitors and between Beazer divisions.

The surveys cover all aspects of the buying, construction and closing process but we will monitor three key measures as indicators of customer satisfaction. Below are the January-March 2000 Company averages for the surveys, compared to the National Average, for the three key measures:

	Jan-Mar 2000	National Average
Total Homebuyer Satisfaction	80	78
Overall Service Satisfaction	79	76
Recommend to a Friend (Definitely and Most Likely)	85.5%	N/A

3. Customer Satisfaction Incentive Plan (CSIP)

Under the Customer Satisfaction Incentive Plan (CSIP), a participant in the VCIP can receive an annual incentive payment of 10% of his annual VCIP payment, based upon reaching or exceeding the targets for the three key measures presented below. We have also established minimum standards for the three key measures. Should the participant not meet the minimum standards indicated below for these measures, the Stock Option and Incentive Committee of our Board of Directors will, in its sole discretion, consider a reduction of the participant's annual incentive payment under the VCIP of up to 10%. The results will be based on the average of four trailing quarters (9/30 of the prior fiscal year, and 12/31, 3/31, 6/30 of the current fiscal year)

Minimum Standards and Targets

	Minimum Standard	Revised Target
Total Homebuyer Satisfaction	80	85
Overall Service Satisfaction	80	85
Recommend to a Friend (Definitely and Most Likely)	85%	90%

Measurement-Incentive Overrides

	Discretionary		No Effect		Positive Override	
	Negative Override		Score	Override	Score	Override
	Score	Override				
Total Homebuyer Satisfaction Overall Service Satisfaction Recommend to a Friend Total	<80	-2.5%	80-84	0	85	+2.5%
	<80	-2.5%	80-84	0	85	+2.5%
	<85%	-5.0%	85-89.9%	0	90%	+5.0%
		-10%		0		+10.0%

4. Calculation

For each of the three categories, an annual average is calculated using the four trailing quarterly scores. Such average is used to determine the override or adjustment from each factor. The adjustments from the three factors are summed to calculate the total override (ranging from -10% to +10%) to be applied to the respective manager's incentive payment for the year. This adjustment is a cash adjustment to the total cash payment (including amounts from current year Value Created, Incremental Value Created and portion of bank paid out) calculated using the normal value created principles. It does not affect the bank itself or any subsequent year's calculations under the VCIP.

The override is not limited by the maximum cash payment restriction under the VCIP (i.e. if managers reach their maximum cash payment of, say 2x salary, this override would allow for an additional cash payment of up to 10%).

The overrides apply to the Divisional/Regional Presidents' and CFOs' and to Corporate's plan administered through the corporate office and we encourage each operating division to adopt the override for their individual plans for other employees.

The plan is self-funding as all Value Created calculations include the full cost of incentive payments.

5. Timing

The CSIP applies to the fiscal year 2003 incentive plan based on NRS scores for 9/30/02, 12/31/02, 3/31/03, and 6/30/03, and similarly, 9/30 of the prior fiscal year, and 12/31, 3/31, 6/30 of the current fiscal year for all years thereafter.

BEAZER HOMES USA, INC.
DIRECTOR STOCK PURCHASE PROGRAM

Article 1 - Introduction

The Director Stock Purchase Program is hereby adopted pursuant to the 1999 Stock Incentive Plan and is governed by the terms thereof. The purpose of the Program is to provide a mechanism in accordance with the terms of the 1999 Stock Incentive Plan for outside directors of Beazer Homes USA, Inc. (the "Company") and its subsidiaries to acquire Company stock. This is accomplished by the outside directors deferring for a minimum of three years a portion of their annual retainer fees up to 50% and receiving an award of Restricted Stock Units at a discount, thus aligning Directors' and shareholders' interest in the Company as well as providing the outside directors with incentives of a discount on the stock and a tax deferral.

Article 2 - Definitions

- 2.1. Award - shall mean Restricted Stock Units granted under the Program.
- 2.2. Award Agreement - shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Program.
- 2.3. Award Date - shall mean the last business day of a fiscal year.
- 2.4. Beneficiary - shall mean a beneficiary or beneficiaries designated by Participant under Article 7.
- 2.5. Board - shall mean the Board of Directors of the Company.
- 2.6. Cost - shall mean the amount actually paid for a Restricted Stock Unit.
- 2.7. Deferral Period - shall mean a period of time (expressed in whole months) of not less than thirty-six months beginning on an Award Date specified with respect to Restricted Stock Units awarded on that Award Date. A Participant may elect on his Election Form to extend the Deferral Period with respect to Restricted Stock Units awarded to the first day of any month which is more than thirty six months after the Award Date, but less than 120 months after the Award Date.
- 2.8. Director - shall mean a member of the Board who is not also an employee of the Company.
- 2.9. Disability - shall mean the permanent inability to perform the duties of a director because of illness or injury, as determined by the Committee based on medical evidence.
- 2.10. Discounted Cost - shall mean 80% of the Fair Market Value of a share of Common Stock on the Award Date.
- 2.11. Election Form - shall mean the form on which the Participant elects to defer a portion of his Retainer and receive an Award.
- 2.12. Fair Market Value - shall mean the fair market value of any property (including but not limited to shares of Common Stock or other security) determined by a valuation method as established by the Committee from time to time. However, for purposes of the Program, the Fair Market Value of shares of Common Stock on any day on which shares of Common Stock are traded on the New York Stock Exchange ("NYSE") or any other nationally recognized stock exchange or automated quotation system shall be the closing price of such shares of Common Stock as reported by the NYSE or such other exchange or quotation system.
- 2.13. Fiscal Year - shall mean the fiscal year of the Company.
- 2.14. Participant - shall mean a Director participating in this Program.
- 2.15. Plan - shall mean the Beazer Homes USA, Inc. 1999 Stock Incentive Plan.
- 2.16. Program - shall mean the Beazer Homes USA, Inc. Director Stock Purchase Program.
- 2.17. Restricted Stock Unit or RSU - shall mean a bookkeeping entry representing the right to receive a share of Common Stock (or a cash payment equal to the Fair Market Value of a share of Common Stock) at some future date. A holder of RSUs shall not be entitled to voting rights on any Shares to which the RSUs relate. The fair market value of an RSU on any date shall be deemed to be the Fair Market Value of a share of Common Stock on that date.
- 2.18. Retainer - shall mean the fee paid to a Director for a Fiscal Year for his services rendered to the Company; provided that for purposes of this Program only the Retainer paid to Mr. Brian Beazer in his capacity as Director shall be deemed to be equal to the amount paid to each other Director, notwithstanding the fact that he receives a larger amount.
- 2.19. Subsidiary - shall mean a company at least 50% of whose issued and outstanding stock is owned directly or indirectly by the Company.

All capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Plan.

Article 3 - Administration

- 3.1 **Power and Authority of the Committee.** The Program shall be administered by the Committee. Subject to the express provisions of this Program, the Plan and applicable law, the Committee shall have complete discretion and authority with respect to the Program and its interpretation and application. Determination by the Committee shall be final and binding on all parties with respect to all matters relating to the Program.
- 3.2 **Delegation.** The Committee may delegate its powers and duties under the Program to one or more officers of the Company or any Affiliate or a committee of such officers, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion and subject to the requirements of the Plan.

Article 4 - Eligibility

Directors of the Company and its Subsidiaries as designated by the Committee shall be eligible to participate in the Program.

Article 5 - Purchases

- 5.1 **General.** Each Participant shall be entitled to elect to receive up to 50% of his Retainer as an award of RSUs. The number of RSUs to be awarded to Participants shall be determined using a 20% discount from the Fair Market Value of the Common Stock on the Award Date.
- 5.2 **Purchases.** For each Fiscal Year, each Participant may elect to receive up to 50% (in whole percentages) of his Retainer for that Fiscal Year as an award of RSUs by completing an Election Form. The Election Form shall provide that the Participant elects to receive RSUs in lieu of a specified portion of his Retainer. Each Election Form shall specify a Deferral Period with respect to the RSUs to which it pertains. Election Forms must be received by the Company no later than the last business day of the Fiscal Year immediately preceding the Fiscal Year for which such Retainer amount is earned and paid.
- 5.3 **Award of RSUs.** The Company shall award RSUs to each Participant on the Award Date. Each Participant shall be credited with a whole number of RSUs determined by dividing (a) the amount of the Participant's Retainer to be received as an award of RSUs under paragraph 5.2 by (b) the Discounted Cost of a share of Common Stock on the Award Date. No fractional RSU will be credited and the amount equivalent in value to the fractional RSU will be paid out to the Participant currently in cash. An Award Agreement will be forwarded as soon as practicable after the Award Date.

Article 6 - Vesting and Payment of RSUs

- 6.1 **Vesting.** A Participant shall be fully vested in each RSU 36 months after the Award Date pertaining to that RSU provided that the Participant has remained a Director for that entire 36 month period. In the event that a Participant dies, becomes Disabled or retires in accordance with the retirement policies of the Board of Directors before the end of the 36 month period after the Award Date of any RSU, but while still a Director, the Participant or the Participant's Beneficiary shall become fully vested in all his RSUs at that time. In the event that Participant ceases to be a Director following a Change in Control (as defined in the Participant's Award Agreement) before the end of the 36 month period after the Award Date of any RSU, the Participant shall become fully vested in all RSUs.
- 6.2 **Payment after Vesting.** With respect to each vested RSU, the Company shall issue to the Participant one share of Common Stock as soon as practicable after the end of the Deferral Period specified in the Participant's Award Agreement pertaining to such RSU, or, if earlier, the date the Participant ceases to be a member of the Board.
- 6.3 **Payment Prior to Vesting.** If a Participant ceases to be a member of the Board for any reason, he/she will receive a cash payment equal to the number of those RSUs awarded on the Award Date multiplied by the respective Cost of those RSUs.

Article 7 - Designation of Beneficiary

A Participant may designate one or more Beneficiaries to receive payments or shares of Common Stock in the event of his death. A designation of Beneficiary shall apply to a specified percentage of a Participant's entire interest in the Program. Such designation, or any change therein, must be in writing and shall be effective upon receipt by the Company. If there is no effective designation of Beneficiary, or if no Beneficiary survives the Participant, the Participant's estate shall be deemed to be the Beneficiary.

Article 8 - Amendment or Termination of Program

Subject to the requirements of the Plan, the Company reserves the right to amend or terminate the Program at any time, by action of the Board or a Committee delegated by the Board, provided that no such action shall adversely affect a Participant's rights under the Program with respect to RSUs awarded and vested before the date of such action.

Article 9 - Miscellaneous Provisions

- 9.1 **No Distribution; Compliance with Legal Requirements.** The Committee may require each person acquiring shares of Common Stock under the Program to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Common Stock shall be issued until all applicable securities law and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of such stop-orders and restrictive legends on certificates for Common Stock as it deems appropriate.
- 9.2 **Notices; Delivery of Stock Certificates.** Any notice required or permitted to be given by the Company or the Committee pursuant to the Program shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant at the last address shown for the participant on the records of the Company. Delivery of stock certificates to persons entitled to receive them under the Program shall be deemed effected for all purposes when the Company or a share transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to such person at his/her last known address on file with the Company.
- 9.3 **Nontransferability of Rights.** During a Participant's lifetime, any payment or issuance of shares under the Program shall be made to him. No RSU or other interest under the Program shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt by a Participant or any Beneficiary under the Program to do so shall be void. No interest under the Program shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of a Participant or Beneficiary entitled thereto.
- 9.4 **Obligations Unfunded and Unsecured.** The Program shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company (including Common Stock) for payment of any amounts or issuance of any shares of Company Stock hereunder. No Participant or other person shall have any interest in any particular assets of the Company (including Common Stock) by reason of the right to receive payment under the Program, and any Participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Program.
- 9.5 **Effective Date of Program.** The Program shall become effective as of the date of its approval by the Board.
- 9.6 **Incorporation of Plan.** This Program description is qualified in its entirety by the Plan. Should there be any discrepancy between this description and the Plan, the terms of the Plan shall govern, excluding definitions that are specifically provided herein.

**BEAZER HOMES USA, INC.
AMENDED AND RESTATED 1999 STOCK INCENTIVE PLAN
AWARD AGREEMENT**

THIS AWARD AGREEMENT (this "Agreement") is made effective as of <> by and between BEAZER HOMES USA, Inc., a Delaware corporation (the "Company"), and «fullname», an individual resident of the State of «state» ("Participant").

WITNESSETH:

WHEREAS, the Company pursuant to its Amended and Restated 1999 Stock Incentive Plan (the "Plan") wishes to make certain incentive awards to Participant.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto hereby agree to the terms set forth below. The terms of this Agreement shall be interpreted in accordance with the Plan and any capitalized terms used in this Agreement but not defined herein shall have the meaning set forth in the Plan.

1. GRANT OF OPTION TO ACQUIRE COMMON STOCK

(a) Grant; Effective Date; Option Price. The Company hereby notifies Participant that the Company has granted to Participant in accordance with the Plan and effective as of <> (the "Option Effective Date"), the right and option (hereinafter referred to as the "Option") to purchase, on the terms and conditions set forth herein, all or any part of an aggregate of «options» shares of Common Stock of the Company, \$0.01 par value per share ("Common Stock"), at a price per share equal to the closing price per share of the Common Stock as reported by the New York Stock Exchange (the "NYSE") at the close of business on the Option Effective Date <> (the "Option Price"), subject to adjustment as provided in Section 1(g) below. The Option is not intended to be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The Company will at all times during the Option Term of the Option (as set forth in Section 1(b) below) reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement.

(b) Duration and Exercisability of Option; Limitations on Exercisability.

(i) The Option shall in all events terminate at midnight on the seventh anniversary of the Option Effective Date (the period commencing on the Option Effective Date and ending on the seventh anniversary thereof being referred to herein as the "Option Term"). The Option shall not be exercisable, in whole or in part, prior to the third anniversary of the Option Effective Date, but shall become fully exercisable by Participant on such date. Notwithstanding the foregoing sentence, the Option shall become exercisable in full upon the occurrence of a Change of Control (as defined in the Plan).

(ii) During the lifetime of Participant, the Option shall be exercisable only by Participant (or, subject to Section 1(d) (ii) or (iii) below, by Participant's guardian or legal representative or Family Member (as defined in Section 7.2 of the Plan) to whom the Option has been gifted or transferred pursuant to a domestic relations order) and shall not be assignable or transferable by Participant other than (a) to an individual by will or the laws of descent and distribution or (b) to a Family Member by gift or transfer pursuant to a domestic relations order.

(iii) The exercise of all or any part of the Option shall only take effect at such time that the sale of the shares of Common Stock or shares of such other securities or property as may be the subject of grants herein pursuant to an adjustment made under Section 9.1 of the Plan and Section 1(g) of this Agreement ("Shares") issuable pursuant to such exercise will not violate any state or federal securities or other laws or the rules of the NYSE or any other exchange upon which the Company's securities may then be trading. Any other provision of this Agreement notwithstanding, the Company shall have the right to designate one or more periods of time, each of which shall not exceed 180 days in length, during which the Option shall not be exercisable if the Company determines (in its sole discretion) that such limitation on exercise could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act of 1933, as amended (the "Act") or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification or any securities by the Company under the Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Act or any applicable state securities laws for the issuance or transfer of any securities. Such limitation on exercise shall not affect the date on which the Option becomes exercisable or the Option Term pursuant to clause (i) of this Section 1(b) in any way other than to limit the periods during which the Option shall be exercisable.

(c) No Rights as a Shareholder. Participant shall have none of the rights of a Shareholder with respect to Shares subject to the Option until such Shares shall have been issued to Participant upon exercise of the Option. No adjustments will be made for dividends or other distributions or rights if the applicable record date occurs before a stock certificate is issued pursuant to Participant's exercise of the Option.

(d) Effect of Termination of Employment on Option.

(i) In the event that Participant has a "Termination for Cause" (as hereinafter defined) or in the event Participant voluntarily resigns, the Option shall be terminated as of such date of resignation or termination.

For purposes of this Agreement, a Termination for Cause shall mean a termination of employment by the Company (or an Affiliate) due to any of the following: (A) any act or failure to act (or series or combination thereof) by Participant done with the intent to harm in any material respect the interests of the Company or any Affiliate thereof; (B) the commission by Participant of a felony; (C) the perpetration by Participant of a dishonest act or common law fraud against the Company or any Affiliate thereof; (D) a grossly negligent act or failure to act (or series or combination thereof) by Participant detrimental in any material respect to the interests of the Company or any Affiliate thereof; (E) the material breach by Participant of his/her agreements or obligations under his/her employment agreement, if applicable; or (F) the continued refusal to follow directives which are consistent with Participant's duties and responsibilities.

(ii) In the event Participant's employment is terminated as a result of either his/her becoming "Disabled" (as hereinafter defined) or a "Termination Not for Cause" (as hereinafter defined) prior to the complete exercise of the Option, then the Option, to the extent exercisable at that time pursuant to Section 1(b)(i) hereof, may be exercised at any time within three (3) months after the date of such termination. In this case the Option may be exercised by Participant, his/her guardians or legal representatives, or by any Family Member to whom the Option is gifted or transferred pursuant to a domestic relations order to the extent of the full number of Shares which Participant was entitled to purchase under the Option on the date of such termination and subject to the condition that no portion of the Option shall be exercisable after the expiration of the Option Term.

For purposes of this Agreement, a Participant shall be deemed "Disabled" if the Participant becomes ill or is injured or otherwise becomes disabled or incapacitated such that, in the opinion of the Board, he/she cannot fully carry out and perform his/her duties as an employee of the Company (and all Affiliates), and such disability or incapacity shall continue for a period of forty-five (45) consecutive days, and the term "disability" shall have a meaning correlative with the foregoing.

For purposes of this Agreement, a "Termination Not for Cause" shall mean a Participant's termination of employment by the Company (and all Affiliates) which is not a Termination for Cause.

(iii) In the event Participant dies while an active Participant prior to the complete exercise of the Option, then the Option, to the extent exercisable at that time pursuant to Section 1(b)(i) hereof, may be exercised at any time within twelve (12) months after Participant's death. The Option may be exercised by his/her guardian or legal representatives or by any Family Member to whom the Option is by gifted or transferred pursuant to a domestic relations order, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, as applicable, to the extent of the full number of Shares which Participant was entitled to purchase under the Option on the date of such death, and subject to the condition that no portion of the Option shall be exercisable after the expiration of the Option Term.

(iv) In the event Participant terminates employment with the Company by reason of Retirement as hereinafter defined

(a) prior to the Option becoming fully exercisable per Section 1(b)(i), then Participant shall be entitled to the immediate vesting of such portion of such Option (rounded upward to the nearest whole share) as equals the product of (y) the total number of shares underlying such Option awarded to Participant as described in Section 1(a) hereof multiplied by (z) a fraction, the numerator of which shall be equal to the number of whole months (counting each month as ending on the first day of a calendar month) elapsed from the Option Effective Date until the date of such Retirement and the denominator of which shall be 36, or

(b) subsequent to the Option becoming fully exercisable per Section 1(b)(i),

the Option may be exercised at any time within twelve (12) months after Participant's Retirement.

For purposes of this Agreement, Retirement shall mean a voluntary termination of employment by a Participant aged 65 or older with at least five (5) years of Company service. A Participant may request approval for retirement treatment if between the ages of 62 and 65 with at least five (5) years of Company service. At the sole discretion of the Compensation Committee of the Board of Directors, such requests can be approved or denied.

(e) Effect of a Change of Control of the Company on the Option. In the event of a Change of Control (as defined in the Plan), the Company shall use its best efforts to notify Participant that a Change of Control will occur promptly after the Company is informed thereof and the Company shall give to Participant, at the time of such Change of Control, either, in the Company's sole discretion (i) a reasonable time thereafter within which to exercise the Option, prior to the effectiveness of such Change of Control, at the end of which time the Option shall terminate, or (ii) the right to exercise the Option (or a substitute option) as to an equivalent number of shares of stock of the corporation succeeding the Company or acquiring its business by reason of such Change of Control in accordance with Section 1(g).

(f) Manner of Exercise.

(i) The Option can be exercised only by Participant or other proper party by delivering within the Option Term written notice to the Company at its principal office. The notice shall state the number of Shares as to which the Option is being exercised and be accompanied by payment in full of the Option Price for all shares designated in the notice.

(ii) Participant may pay the Option Price in cash, by check (bank check, certified check or personal check), by money order, or by wire transfer. In addition, with the approval of the Company, Participant may pay the Option Price by (A) delivering to the Company for cancellation, Shares with a Fair Market Value as of the date of exercise equal to the Option Price or the portion thereof being paid by tendering such Shares, or (B) delivering to the Company the full Option Price in a combination of cash and/or shares of Common Stock in accordance with clause (A) above; provided, however, that the Option Price may not be paid by the delivery of Shares more frequently than once every six (6) months; any shares so delivered must have been held by Participant for at least six months.

(iii) The Shares issued pursuant to exercise of the Option may be subject to restrictions on transfer under applicable federal or state securities laws. Certificates of Shares issued pursuant to exercise of the Option shall bear an appropriate legend referring to the restrictions applicable to such Shares.

(g) Adjustments. If there shall be any change in the Common Stock through (a) dividend or other distribution (whether in the form of cash, Shares, other securities or other property), (b) recapitalization, (c) stock split, (d) reverse stock split, (e) reorganization, (f) merger, (g) consolidation, (h) split-up, (i) spin-off, (j) combination, (k) repurchase or exchange of Shares or other securities of the Company, (l) issuance of warrants or other rights to purchase Shares or other securities of the Company or (m) other similar corporate transaction or event affects the Shares, and all or any portion of the Option shall then be unexercised and not yet expired, then appropriate adjustments in the outstanding portion of the Option shall be made by the Company, in its sole discretion under the Plan, in order to prevent dilution or enlargement of the Option rights contemplated hereby. Such adjustments shall include, where appropriate, changes in the number and type of Shares subject to the Option and/or the Option Price. In addition, in the event of a merger, consolidation, liquidation, sale of all or substantially all of the assets of the Company or other change of like nature in the corporate structure of the Company, the Company shall, if the Option has not yet expired, make such adjustments to the terms of the Option, which adjustments may (but need not) include, without limitation, acceleration of the date of the initial exercisability of the Option or provision for the redemption of the unexercised portion of the Option for an amount of cash or other property reasonably equivalent to the amount that could have been realized by Participant upon exercise of the unexercised portion of the Option had the Option been exercisable and exercised immediately prior to such event, all as the Company, in its sole discretion under the Plan, may deem appropriate under the circumstances.

2. AWARD OF RESTRICTED STOCK.

(a) Award; Effective Date. The Company hereby notifies Participant that, effective as of <> (the "Restricted Stock Effective Date"), the Company has awarded to Participant <restr_stk> shares of Common Stock, subject to the terms of the Plan and subject to such further restrictions as set forth below. Such shares of restricted Common Stock are hereinafter referred to as "Restricted Stock".

(b) Vesting; Change of Control; Restrictions. (i) Subject in each case to the provisions of Section 2, Participant's rights with respect to 100% of the Restricted Stock awarded hereunder shall vest on <>.

(ii) Subject to the provisions of this Section 2(c), upon the occurrence of a Change of Control of the Company, all shares of Restricted Stock not theretofore vested pursuant to Section 2(b)(i) above shall become immediately vested.

(iii) Prior to vesting, shares of Restricted Stock shall not be voluntarily or involuntarily sold, assigned, transferred, pledged, alienated, hypothecated or encumbered by Participant, other than by will or the laws of descent and distribution.

(iv) Prior to vesting, Participant shall have voting rights and receive dividends if and when declared on shares of Restricted Stock held by the Company on behalf of Participant.

(v) Prior to vesting, the Company may impose such restrictions with respect to Restricted Stock in addition to those contained herein as the Company may deem appropriate.

(c) Forfeiture of Restricted Stock. Except as provided in Section 6.3(c) of the Plan:

(i) In the event that Participant's employment with the Company or any of its subsidiaries shall be terminated by the Company for "cause" (as defined in Section 1(d)(i) hereof) or in the event Participant voluntarily resigns from or otherwise terminates his/her employment with the Company or any of its subsidiaries (other than termination by reason of Participant's "disability" (as defined in Section 1(d)(ii) hereof) or death, and other than termination by the Company or any of its subsidiaries for any reason other than for "cause" or termination by reason of Participant's Retirement as defined in Section 1(d)(iv) above), then any shares of Restricted Stock which are held by Participant on the date of such termination shall be forfeited by Participant, and the Company shall have no further obligation to Participant with respect to such forfeited Restricted Stock. (ii)

In the event Participant becomes disabled or dies or his/her employment is terminated by the Company or any of its subsidiaries for any reason other than for "cause", or in the event Participant's employment is terminated by reason of his/her Retirement, then Participant (or, as appropriate, Participant's executors, estate or proper legal guardians and representatives) shall be entitled, to the immediate vesting of such number Restricted Stock (rounded upward to the nearest whole share) as equals the product of (y) the total number of Restricted Stock awarded to Participant as described in Section 2(a) hereof multiplied by (z) a fraction, the numerator of which shall be equal to the number of whole months (counting each month as ending on the first day of a calendar month) elapsed from the Restricted Stock Effective Date until the date of such disability, death, termination not for "cause" or retirement and the denominator of which shall be 60.

(d) Stock Certificates. The Restricted Stock awarded hereunder shall be held in a book entry account by the Company. Upon vesting of any shares of Restricted Stock awarded hereunder, a certificate or certificates representing such shares shall be delivered to the Participant, which certificate or certificates may contain such legends as the Company, in its sole discretion, deems necessary or advisable in connection with applicable securities laws.

3. INVESTMENT REPRESENTATIONS; INDEMNIFICATION.

In connection with, and as an inducement to the grant by the Company to Participant of the Option and the Restricted Stock as described in Section 1 and Section 2 above, respectively;

(a) Participant hereby represents and warrants that, effective as of the Restricted Stock Effective Date, the Option Effective Date, and each date of exercise of any part of the Option, he/she is not acquiring the Restricted Stock, the Option or the Shares issuable upon exercise of the Option, as the case may be, with a view to a distribution of any part thereof, nor with any then present intention of distributing any part thereof in violation of any applicable federal or state securities law.

(b) Participant acknowledges that he/she (i) is an executive of the Company, (ii) has been given an opportunity to examine such instruments, documents and other information relating to the Company as he/she has deemed necessary or advisable in order to make an informed decision relating to the transactions in Shares contemplated hereby and with respect to the suitability of such transactions as an investment for Participant, (iii) has been afforded an opportunity to ask questions and to obtain any additional information necessary in order to verify the accuracy of the information furnished, and (iv) has, in fact, asked all such questions and reviewed all such instruments, documents and other information as he/she has deemed necessary under the circumstances.

(c) Participant represents to the Company that (i) his/her financial capacity is of such proportion that the total cost of his/her commitment in the transactions contemplated hereby would not be material when compared with his/her total financial capacity; (ii) either he/she or his/her purchaser representative (if any) has knowledge of finance, securities and investments generally; and (iii) either he/she or his/her purchaser representative (if any) has experience and skill in investments based on actual participation. Participant also represents that his/her purchaser representative (if any) (A) has no business relationship with the Company, (B) represents only him/her and not the Company, and (C) will be compensated only by him.

(d) Participant acknowledges that his/her representations made in this Section 3 are material inducements to the Company's (i) award of Restricted Stock and grant of the Option made hereby and (ii) eventual acceptance of his/her offer to purchase the Shares underlying the Option and that, but for such representations, such grants would not have been made and such offer would not be accepted. Participant agrees to promptly notify the Company of any change in the status of any of his/her representations or warranties made herein.

(e) Participant agrees to indemnify and hold harmless the Company and any person or entity which "controls" the Company within the meaning of the Act from and against any and all liabilities, damages, claims, debts, costs and expenses suffered or incurred by them (including costs of investigation and defense and attorneys' fees) arising out of any breach by him/her of the agreements or inaccuracy in the representations that are made by him/her herein.

4. **MISCELLANEOUS**

(a) **The Plan.** The grant of the Option and award of Restricted Stock provided for herein are made pursuant to the Plan and are subject to its terms. The Plan is available for inspection during business hours at the principal offices of the Company (currently located at 1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328) and a copy of the Plan may be obtained by Participant through a request in writing therefor directed to the Secretary of the Company.

(b) **No Right to Employment.** This Agreement shall not confer on Participant any right with respect to continuance of employment by the Company or any Affiliates, nor will it interfere in any way with the right of the Company to terminate such employment at any time.

(c) **Taxes.** In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the grant or exercise of the Option or upon the award or vesting of Restricted Stock, and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Participant. Participant may elect to satisfy his/her federal and state income tax withholding obligations upon the vesting of Restricted Stock or the exercise of the Option by (i) having the Company withhold a portion of the Shares otherwise to be delivered upon the vesting of Restricted Stock or the exercise of the Option having a Fair Market Value equal to the amount of federal and state income tax required to be withheld, (ii) delivering to the Company Shares other than the Shares issuable upon the vesting of Restricted Stock or the exercise of the Option with a Fair Market Value equal to such taxes, (iii) delivering to the Company cash, check (bank check, certified check or personal check), money order or wire transfer equal to such taxes upon the vesting of Restricted Stock or the exercise of the Option, or (iv) any combination of 4. (c) (i) through (iii).

(d) **Waivers.** No waiver at any time of any term or provision of this Agreement shall be construed as a waiver of any other term or provision of this Agreement and a waiver at any time of any term or provision of this Agreement shall not be construed as a waiver at any subsequent time of the same term or provision.

(e) **Headings.** All headings set forth in this Agreement are intended for convenience only and shall not control or affect the meaning, construction or effect of this Agreement or of any of the provisions hereof.

(f) **Counterparts.** This Agreement may be executed via facsimile transmission signature and in counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(g) **Board and Committee Determinations.** All matters to be determined by the Board or any committee thereof, including, without limitation, the Compensation Committee, pursuant to the terms of this Agreement shall be determined by the members of the Board or such duly authorized committee without the vote of Participant.

(h) **Law Governing Agreement.** This agreement shall be governed by and construed in accordance with the laws of the state of Georgia.

IN WITNESS WHEREOF, the parties hereto have executed this **AWARD AGREEMENT** effective as of the date first written above.

BEAZER HOMES USA, INC.

By: _____
Name: Ian J. McCarthy
Its: President & CEO

PARTICIPANT

«fullname»

BEAZER HOMES USA, INC.
AMENDED AND RESTATED 1999 STOCK INCENTIVE PLAN
AWARD AGREEMENT

THIS AWARD AGREEMENT (this "Agreement") is made effective as of <> by and between BEAZER HOMES USA, Inc., a Delaware corporation (the "Company"), and «fullname», an individual resident of the State of «state» ("Participant").

WITNESSETH:

WHEREAS, the Company pursuant to its Amended and Restated 1999 Stock Incentive Plan (the "Plan") wishes to make an incentive award to Participant.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto hereby agree to the terms set forth below. The terms of this Agreement shall be interpreted in accordance with the Plan and any capitalized terms used in this Agreement but not defined herein shall have the meaning set forth in the Plan.

1. GRANT OF OPTION TO ACQUIRE COMMON STOCK

(a) Grant; Effective Date; Option Price. The Company hereby notifies Participant that the Company has granted to Participant in accordance with the Plan and effective as of <> (the "Option Effective Date"), the right and option (hereinafter referred to as the "Option") to purchase, on the terms and conditions set forth herein, all or any part of an aggregate of «options» shares of Common Stock of the Company, \$0.01 par value per share ("Common Stock"), at a price per share equal to the closing price per share of the Common Stock as reported by the New York Stock Exchange (the "NYSE") at the close of business on the Option Effective Date <> (the "Option Price"), subject to adjustment as provided in Section 1(g) below. The Option is not intended to be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The Company will at all times during the Option Term of the Option (as set forth in Section 1(b) below) reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement.

(b) Duration and Exercisability of Option; Limitations on Exercisability.

(i) The Option shall in all events terminate at midnight on the seventh anniversary of the Option Effective Date (the period commencing on the Option Effective Date and ending on the seventh anniversary thereof being referred to herein as the "Option Term"). The Option shall not be exercisable, in whole or in part, prior to the third anniversary of the Option Effective Date, but shall become fully exercisable by Participant on such date. Notwithstanding the foregoing sentence, the Option shall become exercisable in full upon the occurrence of a Change of Control (as defined in the Plan).

(ii) During the lifetime of Participant, the Option shall be exercisable only by Participant (or, subject to Section 1(d) (ii) or (iii) below, by Participant's guardian or legal representative or Family Member (as defined in Section 7.2 of the Plan) to whom the Option has been gifted or transferred pursuant to a domestic relations order) and shall not be assignable or transferable by Participant other than (a) to an individual by will or the laws of descent and distribution or (b) to a Family Member by gift or transfer pursuant to a domestic relations order.

(iii) The exercise of all or any part of the Option shall only take effect at such time that the sale of the shares of Common Stock or shares of such other securities or property as may be the subject of grants herein pursuant to an adjustment made under Section 9.1 of the Plan and Section 1(g) of this Agreement ("Shares") issuable pursuant to such exercise will not violate any state or federal securities or other laws or the rules of the NYSE or any other exchange upon which the Company's securities may then be trading. Any other provision of this Agreement notwithstanding, the Company shall have the right to designate one or more periods of time, each of which shall not exceed 180 days in length, during which the Option shall not be exercisable if the Company determines (in its sole discretion) that such limitation on exercise could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act of 1933, as amended (the "Act") or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification or any securities by the Company under the Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Act or any applicable state securities laws for the issuance or transfer of any securities. Such limitation on exercise shall not affect the date on which the Option becomes exercisable or the Option Term pursuant to clause (i) of this Section 1(b) in any way other than to limit the periods during which the Option shall be exercisable.

(c) No Rights as a Shareholder. Participant shall have none of the rights of a Shareholder with respect to Shares subject to the Option until such Shares shall have been issued to Participant upon exercise of the Option. No adjustments will be made for dividends or other distributions or rights if the applicable record date occurs before a stock certificate is issued pursuant to Participant's exercise of the Option.

(d) Effect of Termination of Employment on Option.

(i) In the event that Participant has a "Termination for Cause" (as hereinafter defined) or in the event Participant voluntarily resigns, the Option shall be terminated as of such date of resignation or termination.

For purposes of this Agreement, a Termination for Cause shall mean a termination of employment by the Company (or an Affiliate) due to any of the following: (A) any act or failure to act (or series or combination thereof) by Participant done with the intent to harm in any material respect the interests of the Company or any Affiliate thereof; (B) the commission by Participant of a felony; (C) the perpetration by Participant of a dishonest act or common law fraud against the Company or any Affiliate thereof; (D) a grossly negligent act or failure to act (or series or combination thereof) by Participant detrimental in any material respect to the interests of the Company or any Affiliate thereof; (E) the material breach by Participant of his/her agreements or obligations under his/her employment agreement, if applicable; or (F) the continued refusal to follow directives which are consistent with Participant's duties and responsibilities.

(ii) In the event Participant's employment is terminated as a result of either his/her becoming "Disabled" (as hereinafter defined) or a "Termination Not for Cause" (as hereinafter defined) prior to the complete exercise of the Option, then the Option, to the extent exercisable at that time pursuant to Section 1(b)(i) hereof, may be exercised at any time within three (3) months after the date of such termination. In this case the Option may be exercised by Participant, his/her guardians or legal representatives, or by any Family Member to whom the Option is gifted or transferred pursuant to a domestic relations order to the extent of the full number of Shares which Participant was entitled to purchase under the Option on the date of such termination and subject to the condition that no portion of the Option shall be exercisable after the expiration of the Option Term.

For purposes of this Agreement, a Participant shall be deemed "Disabled" if the Participant becomes ill or is injured or otherwise becomes disabled or incapacitated such that, in the opinion of the Board, he/she cannot fully carry out and perform his/her duties as an employee of the Company (and all Affiliates), and such disability or incapacity shall continue for a period of forty-five (45) consecutive days, and the term "disability" shall have a meaning correlative with the foregoing.

For purposes of this Agreement, a "Termination Not for Cause" shall mean a Participant's termination of employment by the Company (and all Affiliates) which is not a Termination for Cause.

(iii) In the event Participant dies while an active employee prior to the complete exercise of the Option, then the Option, to the extent exercisable at that time pursuant to Section 1(b)(i) hereof, may be exercised at any time within twelve (12) months after Participant's death. The Option may be exercised by his/her guardian or legal representatives or by any Family Member to whom the Option is by gifted or transferred pursuant to a domestic relations order, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, as applicable, to the extent of the full number of Shares which Participant was entitled to purchase under the Option on the date of such death, and subject to the condition that no portion of the Option shall be exercisable after the expiration of the Option Term.

(iv) In the event Participant terminates employment with the Company by reason of Retirement as hereinafter defined

(a) prior to the Option becoming fully exercisable per Section 1(b)(i), then Participant shall be entitled to the immediate vesting of such portion of such Option (rounded upward to the nearest whole share) as equals the product of (y) the total number of shares underlying such Option awarded to Participant as described in Section 1(a) hereof multiplied by (z) a fraction, the numerator of which shall be equal to the number of whole months (counting each month as ending on the first day of a calendar month) elapsed from the Option Effective Date until the date of such Retirement and the denominator of which shall be 36, or

(b) subsequent to the Option becoming fully exercisable per Section 1(b)(i), the Option may be exercised at any time within twelve (12) months after Participant's Retirement.

For purposes of this Agreement, Retirement shall mean a voluntary termination of employment by a Participant aged 65 or older with at least five (5) years of Company service. A Participant may request approval for retirement treatment if between the ages of 62 and 65 with at least five (5) years of Company service. At the sole discretion of the Compensation Committee of the Board of Directors, such requests can be approved or denied.

(e) Effect of a Change of Control of the Company on the Option. In the event of a Change of Control (as defined in the Plan), the Company shall use its best efforts to notify Participant that a Change of Control will occur promptly after the Company is informed thereof and the Company shall give to Participant, at the time of such Change of Control, either, in the Company's sole discretion (i) a reasonable time thereafter within which to exercise the Option, prior to the effectiveness of such Change of Control, at the end of which time the Option shall terminate, or (ii) the right to exercise the Option (or a substitute option) as to an equivalent number of shares of stock of the corporation succeeding the Company or acquiring its business by reason of such Change of Control in accordance with Section 1(g).

(f) Manner of Exercise.

(i) The Option can be exercised only by Participant or other proper party by delivering within the Option Term written notice to the Company at its principal office. The notice shall state the number of Shares as to which the Option is being exercised and be accompanied by payment in full of the Option Price for all shares designated in the notice.

(ii) Participant may pay the Option Price in cash, by check (bank check, certified check or personal check), by money order, or by wire transfer. In addition, with the approval of the Company, Participant may pay the Option Price by (A) delivering to the Company for cancellation, Shares with a Fair Market Value as of the date of exercise equal to the Option Price or the portion thereof being paid by tendering such Shares or (B) delivering to the Company the full Option Price in a combination of cash and/or shares of Common Stock in accordance with clause (A) above; provided, however, that the Option Price may not be paid by the delivery of Shares more frequently than once every six (6) months; any shares so delivered must have been held by Participant for at least six months.

(iii) The Shares issued pursuant to exercise of the Option may be subject to restrictions on transfer under applicable federal or state securities laws. Certificates of Shares issued pursuant to exercise of the Option shall bear an appropriate legend referring to the restrictions applicable to such Shares.

(g) Adjustments. If there shall be any change in the Common Stock through (a) dividend or other distribution (whether in the form of cash, Shares, other securities or other property), (b) recapitalization, (c) stock split, (d) reverse stock split, (e) reorganization, (f) merger, (g) consolidation, (h) split-up, (i) spin-off, (j) combination, (k) repurchase or exchange of Shares or other securities of the Company, (l) issuance of warrants or other rights to purchase Shares or other securities of the Company or (m) other similar corporate transaction or event affects the Shares, and all or any portion of the Option shall then be unexercised and not yet expired, then appropriate adjustments in the outstanding portion of the Option shall be made by the Company, in its sole discretion under the Plan, in order to prevent dilution or enlargement of the Option rights contemplated hereby. Such adjustments shall include, where appropriate, changes in the number and type of Shares subject to the Option and/or the Option Price. In addition, in the event of a merger, consolidation, liquidation, sale of all or substantially all of the assets of the Company or other change of like nature in the corporate structure of the Company, the Company shall, if the Option has not yet expired, make such adjustments to the terms of the Option, which adjustments may (but need not) include, without limitation, acceleration of the date of the initial exercisability of the Option or provision for the redemption of the unexercised portion of the Option for an amount of cash or other property reasonably equivalent to the amount that could have been realized by Participant upon exercise of the unexercised portion of the Option had the Option been exercisable and exercised immediately prior to such event, all as the Company, in its sole discretion under the Plan, may deem appropriate under the circumstances.

2. **INVESTMENT REPRESENTATIONS; INDEMNIFICATION**

In connection with, and as an inducement to the grant by the Company to Participant of the Option as described in Section 1 above;

(a) Participant hereby represents and warrants that, effective as of the Option Effective Date, and each date of exercise of any part of the Option, he/she is not acquiring the Option or the Shares issuable upon exercise of the Option, as the case may be, with a view to a distribution of any part thereof, nor with any then present intention of distributing any part thereof in violation of any applicable federal or state securities law.

(b) Participant acknowledges that he/she (i) is an executive of the Company, (ii) has been given an opportunity to examine such instruments, documents and other information relating to the Company as he/she has deemed necessary or advisable in order to make an informed decision relating to the transactions in Shares contemplated hereby and with respect to the suitability of such transactions as an investment for Participant, (iii) has been afforded an opportunity to ask questions and to obtain any additional information necessary in order to verify the accuracy of the information furnished, and (iv) has, in fact, asked all such questions and reviewed all such instruments, documents and other information as he/she has deemed necessary under the circumstances.

(c) Participant represents to the Company that (i) his/her financial capacity is of such proportion that the total cost of his/her commitment in the transactions contemplated hereby would not be material when compared with his/her total financial capacity; (ii) either he/she or his/her purchaser representative (if any) has knowledge of finance, securities and investments generally; and (iii) either he/she or his/her purchaser representative (if any) has experience and skill in investments based on actual participation. Participant also represents that his/her purchaser representative (if any) (A) has no business relationship with the Company, (B) represents only him/her and not the Company, and (C) will be compensated only by him.

(d) Participant acknowledges that his/her representations made in this Section 2 are material inducements to the Company's (i) grant of the Option made hereby and (ii) eventual acceptance of his/her offer to purchase the Shares underlying the Option and that, but for such representations, such grants would not have been made and such offer would not be accepted. Participant agrees to promptly notify the Company of any change in the status of any of his/her representations or warranties made herein.

(e) Participant agrees to indemnify and hold harmless the Company and any person or entity which “controls” the Company within the meaning of the Act from and against any and all liabilities, damages, claims, debts, costs and expenses suffered or incurred by them (including costs of investigation and defense and attorneys’ fees) arising out of any breach by him/her of the agreements or inaccuracy in the representations that are made by him/her herein.

3. MISCELLANEOUS

(a) The Plan. The grant of the Option provided for herein is made pursuant to the Plan and is subject to its terms. The Plan is available for inspection during business hours at the principal offices of the Company (currently located at 1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328) and a copy of the Plan may be obtained by Participant through a request in writing therefor directed to the Secretary of the Company.

(b) No Right to Employment. This Agreement shall not confer on Participant any right with respect to continuance of employment by the Company or any Affiliates, nor will it interfere in any way with the right of the Company to terminate such employment at any time.

(c) Taxes. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the grant or exercise of the Option, and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Participant. Participant may elect to satisfy his/her federal and state income tax withholding obligations upon exercise of the Option by (i) having the Company withhold a portion of the Shares otherwise to be delivered upon exercise of the Option having a Fair Market Value equal to the amount of federal and state income tax required to be withheld, (ii) delivering to the Company Shares other than the Shares issuable upon exercise of the Option with a Fair Market Value equal to such taxes or (iii) delivering to the Company cash, check (bank check, certified check or personal check), money order or wire transfer equal to such taxes upon exercise of the Option or (iv) any combination of 3. (c) (i) through (iii).

(d) Waivers. No waiver at any time of any term or provision of this Agreement shall be construed as a waiver of any other term or provision of this Agreement and a waiver at any time of any term or provision of this Agreement shall not be construed as a waiver at any subsequent time of the same term or provision.

(e) Headings. All headings set forth in this Agreement are intended for convenience only and shall not control or affect the meaning, construction or effect of this Agreement or of any of the provisions hereof.

(f) Counterparts. This Agreement may be executed via facsimile transmission signature and in counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(g) Board and Committee Determinations. All matters to be determined by the Board or any committee thereof, including, without limitation, the Compensation Committee, pursuant to the terms of this Agreement shall be determined by the members of the Board or such duly authorized committee without the vote of Participant.

(h) Law Governing Agreement. This agreement shall be governed by and construed in accordance with the laws of the state of Georgia.

IN WITNESS WHEREOF, the parties hereto have executed this **AWARD AGREEMENT** effective as of the date first written above.

BEAZER HOMES USA, INC.

Ian J. McCarthy
President / CEO

PARTICIPANT

«fullname»

EMPLOYMENT AGREEMENT

AGREEMENT by and between Beazer Homes USA, Inc., a Delaware corporation (the "Company") and CORY J. BOYDSTON (the "Executive"), dated as of the 1st day of September, 2004.

The Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the second anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate two years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120 day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve month period immediately preceding the month in which the Effective Date occurs. Annual Base Salary shall be payable in accordance with the Company's normal payroll practices (but not less frequently than monthly). During the Employment Period, the Annual Base Salary shall be reviewed (for purposes of increase only) no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the arithmetic average of the Executive's bonuses (whether paid or deferred) under the Company's or its predecessor's annual incentive plans during the last three full fiscal years prior to the Effective Date or for such lesser period as the Executive has been employed by the Company or its predecessor (annualized in the event that the Executive was not employed by the Company for the whole of any such fiscal year), (the "Average Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus. Without limiting the generality of the foregoing definition, the "Average Annual Bonus" shall include the following components, if any, pursuant to the Company's Amended and Restated VCIP Rules (or any successor incentive plan, for so long as any of same shall exist):

- (a) Cash payouts from VC and IVC awards and the "Bank" payout, subject to the Payout Cap, all at full face value;
- (b) Any excess in the Bank discounted at 75% of face value (which shall, for purposes hereof, be deemed to be fully vested);
- (c) 10% of the Bank contributed to the Deferred Compensation Plan, at full face value (which shall, for purposes hereof, be deemed to be fully vested); and
- (d) Any deferred bonus under the VCIP which is invested in stock under the Company's Corporate Management Stock Purchase Program, at full face value of said bonus (which shall, for purposes hereof, be deemed to be fully vested);

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Disability of the Executive occurs during the Employment Period (pursuant to the definition of Disability set forth below), the Company may give to the Executive written notice in accordance with Section 12(c) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), for more than 15 days after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the President and Chief Executive Officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) **Good Reason.** The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company within 15 days after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company within 15 days after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date, which is not remedied by the Company within 15 days after receipt of notice thereof given by the Executive;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement, which is not remedied by the Company within 15 days after receipt of notice thereof given by the Executive.

(d) **Notice of Termination.** Any termination of the Executive's employment by the Company or by the Executive shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(c) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) **Date of Termination.** "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or, subject to applicable cure periods, any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination.

(a) **Good Reason; Other Than for Cause.** If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any accrued but unpaid Annual Bonus respecting any completed fiscal year ending prior to the Date of Termination, (3) the product of (x) the Average Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (4) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The timing of payment by the Company of any deferred compensation shall remain subject to any payment election previously made by the Executive; and

B. the amount equal to the product of (1) one and one-half (1.50), and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Average Annual Bonus; and

(ii) for eighteen (18) months after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until eighteen (18) months after the Date of Termination and to have retired on the last day of such period;

(iii) the Company shall, at its sole expense as incurred, provide the Executive with outplacement services in accordance with the Company's policies with regard to outplacement then in effect; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) **Death.** If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) **Disability.** If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive or the Executive's legal representative in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120 day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) **Cause; Other than for Good Reason.** If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent thereof unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. **Non-exclusivity of Rights.** Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. **Full Settlement.** The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest by (i) the Company, provided that the Executive prevails in at least one material issue, (ii) the Executive or (iii) others, of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including, without limitation, as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f) (2) (A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by such certified public accounting firm as may be designated by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order effectively to contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. Any legal action, suit or proceeding arising out of or relating to this Agreement shall be instituted in the state or federal courts in the State of Delaware and the parties agree not to assert, in any action, suit or proceeding by way of motion, as a defense or otherwise, any claim that either party is not personally subject to the jurisdiction of such court, or that such action, suit or proceeding is brought in an inconvenient forum, or that the venue is improper or that the subject matter hereof cannot be enforced in such court. The parties hereby irrevocably submit it to the jurisdiction of any such court in any such action, suit or proceeding.

(b) The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(c) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by FedEx or other commercial overnight courier or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

1835 Redbourne Drive, Atlanta, Georgia 30350

If to the Company:

1000 Abernathy Road
Suite 1200
Atlanta, Georgia 30328
Attention: Company Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(d) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(e) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i) through (v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(g) Except as may otherwise be provided under any other written agreement between the Executive and the Company, the Executive and the Company acknowledge that the employment of the Executive by the Company is "at will" and, subject to Section 1 hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof and, upon the Effective Date, any such other agreement shall be null, void and of no further force or effect. Furthermore, from and after the date of this Agreement, this Agreement shall supersede that certain Employment Agreement dated January 21, 1998 between the Company and the Executive, which Employment Agreement shall be null, void and of no further force or effect.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

CORY J. BOYDSTON

BEAZER HOMES USA, INC.

By _____
Ian J. McCarthy
President and Chief Executive Officer

SUBSIDIARIES OF THE COMPANY:

<i>Name</i>	<i>Jurisdiction of Incorporation</i>
April Corporation	Colorado
Beazer Allied Companies Holdings, Inc.	Delaware
Beazer Clarksburg, LLC	Maryland
Beazer General Services, Inc.	Delaware
Beazer Homes Corp.	Tennessee
Beazer Homes Holdings Corp.	Delaware
Beazer Homes Sales Arizona, Inc.	Delaware
Beazer Homes Texas Holdings, Inc.	Delaware
Beazer Homes Texas, LP	Texas
Beazer Mortgage Corporation	Delaware
Beazer Realty Corp.	Georgia
Beazer Realty, Inc.	New Jersey
Beazer SPE, LLC	Georgia
Beazer/Squires Realty, Inc.	North Carolina
Homebuilders Title Services of Virginia, Inc.	Virginia
Homebuilders Title Services, Inc.	Delaware
Security Title Insurance Company	Vermont
Texas Lone Star Title, LP	Texas
United Home Insurance Company, A Risk Retention Group	Vermont
<i>Direct Subsidiaries of Beazer Homes Investment Corp.</i>	
Crossmann Communities of North Carolina, Inc.	North Carolina
Crossmann Communities of Ohio, Inc.	Ohio
Crossmann Communities of Tennessee, LLC	Tennessee
Crossmann Communities Partnership	Indiana
Crossmann Investments, Inc.	Indiana
Crossmann Management, Inc.	Indiana
Cutter Homes, Ltd	Kentucky
Deluxe Homes of Lafayette, Inc.	Indiana
Deluxe Homes of Ohio, Inc.	Ohio
Beazer Realty, Inc., fka Merit Realty, Inc.	Indiana
Paragon Title, LLC	Indiana
Pinehurst Builders, LLC	South Carolina
Trinity Homes, LLC	Indiana

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-94843 and 333-117919 on Form S-3 and in Registration Statements No. 333-116573, 333-91904 and 333-24765 on Form S-8 of Beazer Homes USA, Inc. of our report dated November 5, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the impact of the adoption of Financial Accounting Standards Board Interpretation No. 46), appearing in this Annual Report on Form 10-K of Beazer Homes USA, Inc. for the year ended September 30, 2004.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

December 6, 2004

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

I, **Ian J. McCarthy, President and Chief Executive Officer of Beazer Homes USA, Inc.**, certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) for the registrant and we 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 annual report is being prepared;
 - (b) 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
 - (c) 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 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:
 - (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 controls over financial reporting.

Date: December 6 , 2004

/s/ Ian J. McCarthy
Ian J. McCarthy
President and Chief Executive Officer

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

I, James O'Leary, Executive Vice President and Chief Financial Officer of Beazer Homes USA, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) for the registrant and we 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 annual report is being prepared;
 - (b) 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
 - (c) 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 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:
 - (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 controls over financial reporting.

Date: December 6, 2004

/s/ James O'Leary.

James O'Leary
Executive Vice President and Chief Financial Officer

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

In connection with the Annual Report of Beazer Homes USA, Inc. (the "Company") on Form 10-K for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ian J. McCarthy, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Ian J. McCarthy
Ian J. McCarthy
President and Chief Executive Officer
December 6, 2004

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

In connection with the Annual Report of Beazer Homes USA, Inc. (the "Company") on Form 10-K for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James O'Leary, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ James O'Leary.
James O'Leary
Executive Vice President and Chief Financial Officer
December 6, 2004