

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

**FORM 10-K**

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

For the fiscal year ended September 30, 2015  
or

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

Commission File Number 001-12822

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

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)  
  
1000 Abernathy Road, Suite 260,  
Atlanta, Georgia  
(Address of principal executive offices)

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

30328  
(Zip Code)

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

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

<u>Title of Securities</u>	<u>Exchanges on Which Registered</u>
Common Stock, \$.001 par value per share	New York Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES  NO

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer  Accelerated filer  x

Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 31, 2015, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$479,080,224.

Class  
Common Stock, \$0.001 par value

Outstanding at November 5, 2015  
32,660,583



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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (Form 10-K) contains forward-looking statements. These forward-looking statements represent our expectations or beliefs concerning future results and it is possible that the results described in this Form 10-K 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 Form 10-K.

These forward-looking statements describe 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 Form 10-K in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Additional information about factors that could lead to material changes in performance is contained in Part I, Item 1A— Risk Factors of this Form 10-K. These factors are not intended to be an all-inclusive list of risks and uncertainties that may affect the operations, performance, development and results of our business, but instead are the risks that we currently perceive as potentially being material. Such factors may include:

- continuing severe weather conditions or other related events could result in delays in land development or home construction, increase our costs or decrease demand in the impacted areas;
- the availability and cost of land and the risks associated with the future value of our inventory, such as additional asset impairment charges or writedowns;
- economic changes nationally or in local markets, including changes in consumer confidence, declines in employment levels, inflation and increases in the quantity and decreases in the price of new homes and resale homes in the market;
- the cyclical nature of the homebuilding industry and a potential deterioration in homebuilding industry conditions;
- estimates related to homes to be delivered in the future (backlog) are imprecise, as they are subject to various cancellation risks that cannot be fully controlled;
- shortages of or increased prices for labor, land or raw materials used in housing production and the level of quality and craftsmanship provided by our subcontractors;
- our cost of and ability to access capital and otherwise meet our ongoing liquidity needs, including the impact of any downgrades of our credit ratings or reductions in our tangible net worth or liquidity levels;
- our ability to reduce our outstanding indebtedness and to comply with covenants in our debt agreements or satisfy such obligations through repayment or refinancing;
- a substantial increase in mortgage interest rates, increased disruption in the availability of mortgage financing, a change in tax laws regarding the deductibility of mortgage interest for tax purposes or an increased number of foreclosures;
- increased competition or delays in reacting to changing consumer preference in home design;
- factors affecting margins, such as decreased land values underlying land option agreements, increased land development costs on communities under development or delays or difficulties in implementing initiatives to reduce our production and overhead cost structure;
- estimates related to the potential recoverability of our deferred tax assets;
- potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations or governmental policies, and possible penalties for failure to comply with such laws, regulations and governmental policies, including those related to the environment;
- the results of litigation or government proceedings and fulfillment of the obligations in the consent orders with governmental authorities and other settlement agreements;
- the impact of construction defect and home warranty claims, including water intrusion issues in Florida and New Jersey;
- the cost and availability of insurance and surety bonds;
- the performance of our unconsolidated entities and our unconsolidated entity partners;
- the impact of information technology failures or data security breaches;
- terrorist acts, natural disasters, acts of war or other factors over which the Company has little or no control; or
- the impact on homebuilding in key markets of governmental regulations limiting the availability of water.

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.

## PART I

### Item 1. Business

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

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

### Industry Overview and Current Market Conditions

The sale and production of new homes has been and will likely remain a large industry in the United States for four primary reasons: (1) historical growth in both population and households; (2) demographic patterns that indicate an increased likelihood of home ownership as age and income increase; (3) job creation within geographic markets that necessitate new home construction; and (4) consumer demand for home features that can be more easily provided in a new home than an existing home.

In any year, the demand for new homes is closely tied to job growth, the availability and cost of mortgage financing, the supply of new and existing homes for sale and consumer confidence. These factors fluctuate over time at both a national and more localized market level. Consumer confidence is perhaps the most important of these demand variables and is the hardest one to predict accurately because it is a function of, among other things, consumers' views of their employment and income prospects, recent and likely future home price trends, localized new and existing home inventory, the level of current and anticipated interest and mortgage rates, the availability of consumer credit, valuations in stock and bond markets and other factors. In general, high levels of employment, significant affordability and low new home and resale home inventories contribute to a strong and growing homebuilding market environment.

We believe that the homebuilding industry continues to be in the midst of a long-term, multi-year recovery from an unprecedented downturn. Solid traffic levels in our new home models and sales centers, along with favorable market fundamentals and demographics, provide confidence that the homebuilding sales environment will continue to improve, with occasional fluctuations, particularly in the markets in which we operate.

### Long-Term Business Strategy

In November 2013, we introduced our multi-year "2B-10" plan, which provided a roadmap of revenue and margin metrics to achieve \$2 billion in revenue with a 10% Adjusted EBITDA margin. Taken together, reaching "2B-10" would result in Adjusted EBITDA of at least \$200 million. In November 2015, we have refined the specific metrics we expect will lead us to our "2B-10" objectives by providing ranges to each metric instead of point estimates as follows:

- improve and maintain our sales per community per month to a range of 2.8 to 3.2;
- increase and maintain an active community count between a range of 170 and 175;
- increase our average selling price (ASP) to a range of \$330.0 thousand to \$340 thousand;
- continue to improve our homebuilding gross margin to be within a range of 21% to 22%; and
- drive cost leverage, as measured by selling, general and administrative expenses as a percentage of total revenue, to a range of 11% to 12%.

During fiscal 2015, we made significant progress on several of our "2B-10" metrics and expect to make further improvements during fiscal 2016, with the continued commitment to reaching these objectives as soon as possible. For a further discussion of our "2B-10" plan, refer to our "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in this Form 10-K.

Underlying our "2B-10" plan, we have developed a long-term business strategy that focuses on the following elements in order to provide a wide range of homebuyers with quality homes, while maximizing returns on our invested capital over the course of a housing cycle:

*Geographic Diversification in Growth Markets.* We compete in a large number of geographic markets across the United States (U.S.) in an attempt to reduce our exposure to any particular regional economy. Within these markets, we build homes in a variety of new home communities. We continually review our selection of markets based on both aggregate demographic information and

our own operating results. We use the results of these reviews to re-allocate our investments to those markets where we believe we can maximize our profitability and return on capital over the next several years. During the second quarter of 2015, this review led us to the decision that we would not continue to invest in new homebuilding assets in New Jersey.

*Diversity of Product Offerings.* Our product strategy aims to address the needs of our target buyers. Within each of our markets, we determine the profile of buyers we hope to target and design neighborhoods and homes with the specific needs of those buyers in mind. Depending on the market, we attempt to address one or more of the following categories of home buyers: entry-level, move-up or retirement-oriented. Within these buyer groups, we have developed detailed targeted buyer profiles based on demographic and psychographic data, including information about their marital and family status, employment, age, affluence, special interests, media consumption and distance moved. Recognizing that our customers want to choose certain components of their new home, we offer a limited number of free structural options on most homes (“Choice Plans<sup>TM</sup>”), as well as other paid structural options, and utilize design studios in most of our markets that enable our customers to further personalize their home by allowing them to select certain non-structural options such as cabinetry, flooring, fixtures, appliances and wall coverings.

*Differentiated Process.* Our sales strategy has three specific tenets: lender choice (“Mortgage Choices”), personalization (Choice Plans<sup>TM</sup>) and energy efficiency (refer to section entitled “Differentiating Beazer Homes” for a further discussion). To address the homebuyers’ perceived challenge of securing a mortgage, we facilitate the process by making available a small number of preferred lenders who offer a comprehensive set of mortgage products, competitive rates and outstanding customer service. In response to consumers’ desire to reflect their personal preferences and lifestyle in their homes, we continue to evolve our floor plans based on market opportunity and demand. We create base plans that meet most homebuyers’ needs but also give the homebuyer the flexibility to change how the home lives through choices in structural and design options at no additional cost. We engineer our homes for energy-efficiency, resulting in cost savings and comfort. Using the ENERGYSTAR<sup>®</sup> standards as our minimum performance criteria, our homes reduce the impact on the environment while decreasing our homebuyers’ annual operating costs.

*Consistent Use of National Brand.* Our homebuilding and marketing activities are conducted under the name of Beazer Homes in each of our markets. We believe that the Beazer Homes<sup>®</sup> trademark has significant value and is an important factor in the marketing of our homebuilding activities and business. We utilize a single brand name across our markets in order to better leverage our national and local marketing activities. Using a single brand has allowed us to execute successful national marketing campaigns and online marketing practices.

*Operational Scale Efficiencies.* Beyond marketing advantages, we attempt to create both national and local scale efficiencies as a result of the size and scope of our operations. On a national basis, we are able to achieve volume purchasing advantages in certain product categories; share best practices in construction, marketing and planning and design among our markets; respond to telephonic and online customer inquiries; and leverage our fixed costs in ways that improve profitability. On a local level, while we are not generally the largest builder within our markets, we do attempt to be a major participant within our selected submarkets and targeted buyer profiles. There are further design, construction and cost advantages associated with having strong market positions within particular markets.

*Balanced Land Policies.* We seek to maximize our return on capital by carefully managing our investment in land. To reduce the risks associated with these investments, we sometimes use options to control land. We may acquire lots from various development and land banking entities pursuant to purchase and option agreements. We generally do not speculate in land that does not have the benefit of entitlements providing basic development rights to the owner. For a further discussion of our land policies, refer to section entitled “Land Acquisition and Development.”

## Reportable Business Segments

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

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

The following tables summarize certain operating information of our reportable segments, including number of homes closed and average closing price for the periods presented and units and dollar value in backlog as of September 30, 2015, 2014 and 2013. Refer to "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Item 7 of this Form 10-K for additional information.

(\$ in thousands)	2015		2014		2013	
	Number of Homes Closed	Average Closing Price	Number of Homes Closed	Average Closing Price	Number of Homes Closed	Average Closing Price
West	1,954	\$ 299.0	1,996	\$ 269.1	2,277	\$ 238.7
East	1,546	355.4	1,600	328.4	1,629	296.2
Southeast	1,510	289.4	1,355	256.3	1,150	220.2
Total Company	5,010	\$ 313.5	4,951	\$ 284.8	5,056	\$ 253.0

	September 30, 2015		September 30, 2014		September 30, 2013	
	Units in Backlog	Dollar Value in Backlog (in millions)	Units in Backlog	Dollar Value in Backlog (in millions)	Units in Backlog	Dollar Value in Backlog (in millions)
West	955	\$ 307.1	557	\$ 154.9	738	\$ 200.5
East	487	181.1	600	208.2	661	210.1
Southeast	596	179.5	533	152.7	494	117.5
Total Company	2,038	\$ 667.7	1,690	\$ 515.9	1,893	\$ 528.1
ASP in backlog (in thousands)		\$ 327.6		\$ 305.3		\$ 279.0

## Seasonal and Quarterly Variability

Our homebuilding operating cycle generally reflects higher levels of new home order activity in our second and third fiscal quarters and increased closings in our third and fourth fiscal quarters. However, during periods of an economic downturn in the industry such as we have experienced in recent years, decreased revenues and closings will typically reduce seasonal patterns.

## Markets and Product Description

We evaluate a number of factors in determining which geographic markets to enter and remain in, as well as which consumer segments to target with our homebuilding activities. We attempt to anticipate changes in economic and real estate conditions by evaluating statistical information such 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, product type, incorporating energy efficient features and design and construction quality. 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, consumer preferences, margins, timing and the economic strength of the market. Although some of our homes are priced at the upper end of the market and we offer a selection of amenities and home customization options, we generally do not build “custom homes.” We aim to create efficiencies by using standardized design plans whenever possible. In all of our home offerings, we attempt to maximize customer satisfaction by incorporating quality and energy-efficient materials, distinctive design features, convenient locations and competitive prices.

## Operational Overview

### *Corporate Operations*

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

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

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

### *Field Operations*

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



## Land Acquisition and Development

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

We select land for 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 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 of the real estate market and economic trends and our experience in a particular market.

We generally purchase land or obtain an option to purchase land, which, in either case, requires certain site improvements prior to 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 home construction. During our fiscal 2015 and 2014, we aggressively pursued land acquisition opportunities in an effort to increase our number of active communities, spending approximately \$223.7 million and \$335.3 million, respectively, for land acquisition and \$229.6 million and \$215.9 million, respectively, for land development. As a result, our active community count as of September 30, 2015 grew to 166 from 155 a year ago.

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

### *Option Contracts*

We acquire certain lots by means of option contracts from various sellers, including land banking entities. Option contracts generally require the payment of a cash deposit or issuance of a letter of credit for the right to acquire lots during a specified period of time at a fixed or variable price.

Under option contracts, purchase of the underlying properties is contingent upon satisfaction of certain requirements by us and the sellers. Our liability under option contracts is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which totaled approximately \$51.5 million as of September 30, 2015. The total remaining purchase price, net of cash deposits, committed under all land option contracts was \$420.1 million as of September 30, 2015.

The following table summarizes, by reportable segment, land controlled by us as of September 30, 2015:

	Lots Owned					Total Lots Owned	Total Lots Under Contract	Total Lots Controlled
	Lots with Homes Under Construction <sup>(a)</sup>	Finished Lots	Lots Under Development	Lots Held for Future Development	Lots Held for Sale			
<b>West</b>								
Arizona	109	383	328	46	1	867	480	1,347
California	206	711	789	2,602	44	4,352	688	5,040
Nevada	57	179	312	1,165	—	1,713	—	1,713
Texas	693	856	2,043	—	84	3,676	2,155	5,831
Total West	1,065	2,129	3,472	3,813	129	10,608	3,323	13,931
<b>East</b>								
Indiana	105	251	655	—	132	1,143	162	1,305
Maryland/Delaware	257	299	798	462	210	2,026	849	2,875
New Jersey	27	4	—	116	29	176	—	176
Tennessee	56	115	615	—	101	887	275	1,162
Virginia	70	177	80	—	—	327	123	450
Total East	515	846	2,148	578	472	4,559	1,409	5,968
<b>Southeast</b>								
Florida	207	606	913	33	102	1,861	313	2,174
Georgia	59	233	406	—	—	698	136	834
North Carolina	58	126	20	21	—	225	428	653
South Carolina	227	335	1,444	68	1	2,075	1	2,076
Total Southeast	551	1,300	2,783	122	103	4,859	878	5,737
Discontinued operations	—	—	—	—	84	84	—	84
<b>Total</b>	<b>2,131</b>	<b>4,275</b>	<b>8,403</b>	<b>4,513</b>	<b>788</b>	<b>20,110</b>	<b>5,610</b>	<b>25,720</b>

<sup>(a)</sup> This category represents lots upon which construction of a home has commenced, including model homes.

The following table summarizes, by reportable segment, the dollar value of our land under development, land held for future development and land held for sale as of September 30, 2015:

(In thousands)	Land Held for Future Development		
	Land Under Development	Land Held for Future Development	Land Held for Sale
West	\$ 386,562	\$ 230,778	\$ 6,941
East	229,652	29,280	30,927
Southeast	193,686	10,932	5,587
Discontinued operations	—	—	1,100
<b>Total</b>	<b>\$ 809,900</b>	<b>\$ 270,990</b>	<b>\$ 44,555</b>

## **Investments in Marketable Securities and Unconsolidated Entities**

During the fourth quarter of fiscal 2014, the Company acquired shares of American Homes 4 Rent (AMH) in exchange for the Company's interest in a real estate investment trust (REIT). The shares, which represented marketable equity securities with a readily available fair value, were sold in March 2015 at a loss of \$1.8 million.

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

Our unconsolidated entities periodically obtain secured acquisition and development financing. As of September 30, 2015, our unconsolidated entities had borrowings outstanding totaling \$12.2 million. In the past, we and our partners have provided varying levels of guarantees of debt or other obligations for our unconsolidated entities. As of September 30, 2015, we had no repayment guarantees outstanding related to the debt of our unconsolidated entities. See Note 4 of notes to the consolidated financial statements in this Form 10-K for further information.

Our consolidated balance sheets include investments in marketable securities and unconsolidated entities totaling \$13.7 million and \$38.3 million as of September 30, 2015 and September 30, 2014, respectively.

## **Construction**

We typically act as the general contractor for the construction of our new home communities. Our project development activities are controlled by our operating divisions, whose employees supervise the construction of each new home community by coordinating the activities of subcontractors and suppliers, subjecting their work to quality and cost controls and ensuring compliance with zoning and building codes. We specify that quality, durable materials be used in the construction of our homes. Our subcontractors follow design plans prepared by architects and engineers who are retained or directly employed by us and whose designs are geared to the local market. Our home plans are created in a collaborative effort with industry leading architectural firms, allowing us to stay current in our home designs with changing trends, as well as to expand our focus on value engineering without losing design value to our customers.

Agreements with our subcontractors and materials suppliers are generally entered into after a competitive bidding process during which we obtain information from prospective subcontractors and vendors with respect to their financial condition and ability to perform their agreements with us in accordance with the specifications we provide. Subcontractors typically are retained on a project-by-project basis to complete construction at a fixed price. We do not maintain significant inventories of construction materials, except for materials being utilized for homes under construction. We have numerous suppliers of raw materials and services used in our business and such materials and services have been, and continue to be, available. However, material prices may fluctuate due to various factors, including demand or supply shortages, which may be beyond the control of us or our vendors. Whenever possible, 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. As of September 30, 2015, excluding models, we had 1,860 homes at various stages of completion, of which 1,332 were under contract and included in backlog at such date and 528 homes (128 were substantially completed and 400 under construction) were not under a sales contract, either because the construction of the home was begun without a sales contract or because the original sales contract had been canceled.

## **Warranty Program**

For certain homes sold through March 31, 2004 (and in certain markets through July 31, 2004), we self-insured our warranty obligations through our wholly-owned risk retention group. We continue to maintain reserves to cover potential claims on homes covered under this warranty program. Beginning with homes sold on or after April 1, 2004 (August 1, 2004 in certain markets), our warranties have been issued, administered and insured, subject to applicable self-insured retentions, by independent third parties. We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined performance quality standards. In addition, we provide a limited warranty (generally ranging from a minimum of five years up to the period covered by the applicable statute of repose) covering only certain defined construction defects. We also provide a defined structural warranty with single-family homes and townhomes in certain states.

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

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

## **Marketing and Sales**

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

Our best practice is to build, decorate, furnish and landscape model homes for each community and maintain on-site sales offices. As of September 30, 2015, we maintained and owned 271 model homes. We believe that model homes play a particularly important role in our selling efforts. The selection of interior features is also a principal component of our marketing and sales efforts.

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

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

Depending on market conditions, we also at times begin construction on a number of homes for which no signed sales contract exists. This “speculative” inventory satisfies demand by providing near ready or move in ready homes targeted at relocated personnel, first time buyers and independent brokers who require a completed home within 60 days.

### *Differentiating Beazer Homes*

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

*Mortgage Choices* - Most of our buyers need to arrange financing in order to purchase a new home. Unlike our major competitors, we do not have an in-house mortgage company. Instead, for every Beazer community, we have identified a group of preferred lenders that provide a comprehensive product portfolio, competitive rates and fees and outstanding customer service. We encourage those lenders to compete for our customers’ business, which is a unique program among national homebuilders and enables our customers to secure the mortgage program that best fits their needs and features great service and highly competitive rates and fees.

*Choice Plans™* - Every family lives in their home differently, which is why we created Choice Plans™. Choice Plans™ allow buyers to choose how core living areas, like the kitchen and master bathroom, are configured at no extra cost. Whether our buyers choose an office or an expanded family room, our plans are designed for the way a buyer wants to live.

***Energy Efficiency*** - Nearly all newly-built homes afford buyers a substantial reduction in utility bills due to their modern, energy-efficient construction and materials. That's a feature a used home cannot match. At Beazer, we go even further by providing every buyer with an energy rating for their home, completed by a qualified third-party rating company. Used homes typically have an energy rating (on a scale in which a lower score is better) of 130, while new homes that are built to code typically score around 100. The average new Beazer home has an energy rating a 63.

## **Customer Financing**

As previously discussed, we do not provide mortgage origination services. Unlike many of our peers, we have no ownership interest in any lender and are able to promote competition among lenders on behalf of our customers. Approximately 92% of our fiscal 2015 customers elected to finance their home purchase.

## **Competition**

The development and sale of residential properties is highly competitive and fragmented. We compete for residential sales on the basis of a number of interrelated factors, including location, reputation, amenities, design, quality and price with numerous large and small homebuilders, including 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 and available rental housing.

We utilize our experience within our geographic markets and the breadth of our product line to vary our regional product offerings to reflect changing market conditions. We strive to respond to market conditions and to capitalize on the opportunities for advantageous land acquisitions in desirable locations. To further strengthen our competitive position, we rely on quality design, construction and service to provide customers with a higher measure of home.

## **Government Regulation and Environmental Matters**

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

We may also be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums, "slow-growth" or "no-growth" initiatives or building permit allocation ordinances, which could be implemented in the future in the markets in which we operate. Substantially all of our land is entitled and, therefore, 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 communities in their jurisdictions. However, these fees are normally established when we receive recorded final maps and building permits. We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. These laws may result in delays, cause us to incur substantial compliance and other costs and prohibit or severely restrict development in certain environmentally sensitive regions or areas. Our communities in California are especially susceptible to restrictive government regulations and environmental laws, particularly surrounding water usage due to continuing drought conditions within that region.

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

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

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

## **Bonds and Other Obligations**

In connection with the development of our communities, we are frequently required to provide 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. As of September 30, 2015, we had approximately \$43.1 million and \$201.3 million of outstanding letters of credit and performance bonds, respectively, primarily related to our obligations to local governments to construct roads and other improvements in various developments. We have an immaterial amount of outstanding letters of credit related to our land option contracts as of September 30, 2015.

### **Employees and Subcontractors**

As of September 30, 2015, we employed 1,063 persons, of whom 337 were sales and marketing personnel and 260 were construction personnel. Although none of our employees are covered by collective bargaining agreements, at times certain of the subcontractors engaged by us may be represented by labor unions or may be subject to collective bargaining arrangements. We believe that our relations with our employees and subcontractors are good.

### **Available Information**

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

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

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

## Item 1A. Risk Factors

***Severe weather conditions or other related events could result in delays in land development or home construction, increase our costs or decrease demand in the impacted areas.***

Severe weather conditions or other related events that are beyond our direct control could impact our operations in several ways. First, these events may cause land development or home construction delays in the impacted areas. Not only does severe weather at times halt our development and construction-related activities, but it could do so for our competitors as well, ultimately leading to increased competition for subcontractors, which could delay our progress even after the event has concluded. Additionally, increased competition for skilled labor could lead to cost overruns, as we may have to incentivize the region's limited trade base to work on our homes, in addition to other costs incurred to remediate the impact of the severe weather conditions on our overall job site. Finally, severe weather and related events may also temporarily impact demand, as buyers are not as willing to shop for new homes during the event. As an example, record wet conditions experienced in Texas during our fiscal 2015 slowed our production process and increased our cost of operations in this state. These risks could adversely affect our business, financial condition and results of operations.

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

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

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

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

We regularly acquire land for replacement and expansion of our land inventory within our existing and new markets. The market value of land, building lots and housing inventories can fluctuate significantly as a result of changing market conditions and the measures we employ to manage inventory risk may not be adequate to insulate our operations from a severe drop in inventory values. When market conditions are such that land values are not appreciating, previously entered into option agreements may become less desirable, at which time we may elect to forgo deposits and preacquisition costs and terminate the agreements. In a situation of adverse market conditions, we may incur impairment charges or have to sell land at a loss, which could adversely affect our financial condition and results of operations and our ability to comply with certain covenants in our debt instruments linked to tangible net worth.

***Our home sales and operating revenues could decline due to macro-economic and other factors outside of our control, such as changes in consumer confidence, declines in employment levels and increases in the quantity and decreases in the price of new homes and resale homes in the market.***

Changes in national and regional economic conditions, as well as local economic conditions where we conduct our operations and where prospective purchasers of our homes live, may result in more caution on the part of homebuyers and, consequently, fewer home purchases. These economic uncertainties involve, among other things, conditions of supply and demand in local markets and changes in consumer confidence and income, employment levels and government regulations. These risks and uncertainties could periodically have an adverse effect on consumer demand and the pricing of our homes, which could cause our operating revenues to decline thereby negatively impacting our financial condition and results of operations.

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

During periods of downturn in the industry, housing markets across the United States may experience an oversupply of both new and resale home inventory, an increase in foreclosures, reduced levels of consumer demand for new homes, increased cancellation rates, aggressive price competition among homebuilders and increased incentives for home sales. In the event of a downturn, we

may experience a material reduction in revenues and margins. Continued weakness in the homebuilding market could adversely affect our business, financial condition and results of operations and could result in additional inventory impairments in the future.

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

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

***We are dependent on the continued availability and satisfactory performance of our subcontractors, which, if unavailable or unsatisfactory, could have a material adverse effect on our business. Additionally, increased prices for the labor or materials provided by these subcontractors could adversely affect our financial condition, results of operations and liquidity.***

We conduct our land development and homebuilding operations only as a general contractor. Virtually all land development and construction work is performed by unaffiliated third-party subcontractors. As a consequence, we depend on the continued availability of and satisfactory performance by these subcontractors for the development of our land and construction of our homes. There may not be sufficient availability of and satisfactory performance by these unaffiliated third-party subcontractors in the markets in which we operate, adversely impacting our financial condition and results of operations. Additionally, the prices paid for the services of these subcontractors could unexpectedly increase, which could have a material adverse effect on our business.

***Our access to capital and our ability to obtain additional financing could be affected by any downgrade of our credit ratings.***

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

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

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

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

Certain of our senior secured and unsecured notes, revolving credit facility, letter of credit facilities and certain other debt impose certain restrictions and obligations on us. Under certain of these instruments, we must comply with defined covenants that limit



our ability to, among other things, incur additional indebtedness, engage in certain asset sales, make certain types of restricted payments, engage in transactions with affiliates and create liens on our assets. Failure to comply with certain of these covenants could result in an event of default under the applicable instrument. Any such event of default could negatively impact other covenants or lead to cross defaults under certain of our other debt. There can be no assurance that we will be able to obtain any waivers or amendments that may become necessary in the event of a future default situation without significant additional cost or at all.

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

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

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

***A substantial increase in mortgage interest rates, the unavailability of mortgage financing or a change in tax laws regarding the deductibility of mortgage interest for tax purposes may reduce consumer demand for our homes.***

Substantially all purchasers of our homes finance their acquisition with mortgage financing. Housing demand is adversely affected by reduced availability of mortgage financing and factors that increase the upfront or monthly cost of financing a home such as increases in interest rates, insurance premiums or limitations on mortgage interest deductibility. The continued decrease in the willingness and ability of lenders to make home mortgage loans, the tightening of lending standards and the limitation of financing product options have made it more difficult for homebuyers to obtain acceptable financing. Any substantial increase in mortgage interest rates or unavailability of mortgage financing may adversely affect the ability of prospective first-time and move-up homebuyers to obtain financing for our homes, as well as adversely affect the ability of prospective move-up homebuyers to sell their current homes. Therefore, a disruption in the credit markets and/or the curtailed availability of mortgage financing may adversely affect our business, financial condition and results of operations.

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

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

We believe we have significant “built-in losses” in our assets (i.e. an excess tax basis over current fair market value) that may result in tax losses as such assets are sold. Net operating losses generally may be carried forward for a 20-year period to offset future earnings and reduce our federal income tax liability. Built-in losses, if and when recognized, generally will result in tax losses that may then be deducted or carried forward. However, we experienced an “ownership change” under Section 382 as of January 12, 2010. As a result of this previous “ownership change” for purposes of Section 382, our ability to use certain net operating loss carryforwards and built-in losses or deductions in existence prior to the ownership change was limited by Section 382.

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

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

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

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

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

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

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

***We conduct certain of our operations through land development joint ventures with independent third parties in which we do not have a controlling interest and we can be adversely impacted by the joint venture partners' failure to fulfill their obligations.***

We participate in land development joint ventures (JVs) in which we have less than a controlling interest. We have entered into JVs in order to acquire attractive land positions, to manage our risk profile and to leverage our capital base. Our JVs are typically entered into with developers, other homebuilders and financial partners to develop finished lots for sale to the JVs members and other third parties. As a result of the deterioration of the housing market, we wrote down our investment in certain of our JVs reflecting impairments of inventory held within those JVs. If market conditions were to deteriorate again, we may have to take further writedowns of our investments in our JVs.

Our JV investments are generally very illiquid both because we lack a controlling interest in the JVs and because most of our JVs are structured to require super-majority or unanimous approval of the members to sell a substantial portion of the JV's assets or for a member to receive a return of its invested capital. Our lack of a controlling interest also results in the risk that the JV will take actions that we disagree with or fail to take actions that we desire, including actions regarding the sale of the underlying property.

Our JVs typically obtain secured acquisition, development and construction financing. Generally, we and our JV partners have provided varying levels of guarantees of debt or other obligations of our unconsolidated JVs. These guarantees include construction completion guarantees, repayment guarantees and environmental indemnities. We accrue for guarantees we determine are probable and reasonably estimable but we do not record a liability for the contingent aspects of any guarantees that we determine are reasonably possible but not probable. As of September 30, 2015, we had no outstanding repayment guarantees.

***Our stock price is volatile and could decline.***

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

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

Our ability to raise funds through the issuance of equity or otherwise use our common stock as consideration is impacted by the price of our common stock. A low stock price may adversely impact our ability to reduce our financial leverage, as measured by the ratio of total debt to total capital. As of September 30, 2015, our total debt to total capital was 70.8% and our net debt to net capital was 66.6%. Continued high levels of leverage or significant increases may adversely affect our credit ratings and make it more difficult for us to access additional capital. These factors may limit our ability to implement our operating and growth plans.

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

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

***We are the subject of pending civil litigation which could require us to pay substantial damages or could otherwise have a material adverse effect on us. The failure to fulfill our obligations under the HUD Agreement described below could have a material adverse effect on our financial condition and results of operations.***

On July 1, 2009, we entered into a Deferred Prosecution Agreement and associated Bill of Information (the DPA) with the United States Attorney for the Western District of North Carolina and a separate but related agreement with the United States Department of Housing and Urban Development (HUD) and the Civil Division of the United States Department of Justice (the HUD Agreement). Under these agreements, we are obligated to make payments equal to 4% of “adjusted EBITDA,” as defined in the agreements, until the first to occur of (a) September 30, 2016 or (b) the date that a cumulative \$48.0 million has been paid pursuant to the DPA and the HUD Agreement. As of September 30, 2015, we have paid a cumulative \$22.7 million related to the DPA and the HUD Agreement. Additionally, we have a liability of \$7.4 million recorded on our consolidated balance sheet as of September 30, 2015 related to the DPA and the HUD Agreement. Our expense related to these agreements was \$5.3 million, \$5.4 million and \$3.5 million for our fiscal 2015, 2014 and 2013, respectively, and was recorded in general and administrative expenses in our consolidated statements of income.

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

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

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

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

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

***Our operating expenses could increase if we are required to pay higher insurance premiums or litigation costs for various claims, which could negatively impact our financial condition and results of operations.***

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

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

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

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

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

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

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

We use information technology and other computer resources to perform important operational and marketing activities and to maintain our business records. Certain of these resources are provided to us and/or maintained by third-party service providers pursuant to agreements that specify certain security and service level standards. Our computer systems, including our back-up

systems and those of our third-party providers, are subject to damage or interruption from power outages, computer and telecommunication failures, computer viruses, security breaches, natural disasters, usage errors by our employees or contractors and other related risks. A significant and extended disruption of or breach of security related to our computer systems and back-up systems may damage our reputation and cause us to lose customers, sales and revenue, result in the unintended misappropriation of proprietary, personal and confidential information and require us to incur significant expense to remediate or otherwise resolve these issues.

***The occurrence of natural disasters could increase our operating expenses and reduce our revenues and cash flows.***

The climates and geology of many of the states in which we operate, including California, Florida, Georgia, North Carolina, South Carolina, Tennessee, Texas and certain mid-Atlantic states, present increased risks of natural disasters. To the extent that hurricanes, severe storms, earthquakes, droughts, floods, wildfires or other natural disasters or similar events occur, our homes under construction or our building lots in such states could be damaged or destroyed, which may result in losses exceeding our insurance coverage. Any of these events could negatively impact our financial condition and results of operations.

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

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

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

As of September 30, 2015, we have under lease approximately 34,000 square feet of office space in Atlanta, Georgia to house our corporate headquarters. We also lease an aggregate of approximately 307,000 square feet of office space for our subsidiaries' operations at various locations. We have subleased approximately 57,000 square feet of our leased office space to unrelated third parties. We own approximately 49,000 square feet of office space in Indianapolis, Indiana, which we are under contract to sell during our fiscal 2016. All facilities are in good condition and are adequately utilized and sufficient to meet our present operating needs.

#### **Item 3. Legal Proceedings**

##### **Litigation**

From time-to-time, we have received claims from institutions that have acquired mortgages originated by our subsidiary, Beazer Mortgage Corporation (BMC), demanding damages or indemnity arising from BMC's activities or that we repurchase such mortgages. BMC stopped originating mortgages in 2008. We have been able to resolve these claims for amounts that are not material to our consolidated financial statements. We currently have an insignificant number of such claims outstanding for which we believe we have no liability. However, we cannot rule out the potential for additional mortgage loan repurchase or indemnity claims in the future from other investors. At this time, we do not believe that the exposure related to any such claims would be material to our consolidated financial condition, results of operations or cash flows.

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

##### **Other Matters**

On July 1, 2009, we entered into a Deferred Prosecution Agreement and associated Bill of Information (the DPA) with the United States Attorney for the Western District of North Carolina and a separate but related agreement with the United States Department of Housing and Urban Development (the HUD Agreement) and the Civil Division of the United States Department of Justice. We have satisfied our obligations under the DPA and in July 2014 the United States District Court for the Western Division of North Carolina dismissed the Bill of Information. However, under these agreements, we are obligated to make payments equal to 4% of

“adjusted EBITDA,” as defined in the agreements, until the earlier of (a) September 30, 2016 or (b) the date that a cumulative \$48.0 million has been paid pursuant to the DPA and the HUD Agreement. As of September 30, 2015, we have paid a cumulative \$22.7 million related to the DPA and the HUD Agreement. Additionally, we have a liability of \$7.4 million recorded on our consolidated balance sheet as of September 30, 2015 related to the DPA and the HUD Agreement. Our expense related to these agreements was \$5.3 million, \$5.4 million and \$3.5 million for our fiscal 2015, 2014 and 2013, respectively, and was recorded in general and administrative expenses in our consolidated statements of income.

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

**Item 4. Mine Safety Disclosures**

Not applicable.

PART II

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

Market Information

The Company lists its common shares on the New York Stock Exchange (NYSE) under the symbol "BZH." On November 5, 2015, the last reported sales price of the Company's common stock on the NYSE was \$14.13 and we had approximately 205 stockholders of record and 32,660,583 shares of common stock outstanding. The following table sets forth, for the periods presented, the range of high and low trading prices for the Company's common stock during our fiscal 2015 and 2014.

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
<b>Fiscal Year Ended September 30, 2015</b>				
High	\$ 20.44	\$ 20.52	\$ 21.19	\$ 20.20
Low	\$ 15.70	\$ 14.20	\$ 17.26	\$ 13.01
<b>Fiscal Year Ended September 30, 2014</b>				
High	\$ 24.62	\$ 25.34	\$ 21.63	\$ 21.33
Low	\$ 16.75	\$ 19.24	\$ 18.01	\$ 15.27

Dividends

The indentures under which our senior notes were issued contain certain restrictive covenants, including limitations on the payment of dividends. As of September 30, 2015, under the most restrictive covenants of such indentures, none of our retained earnings were available for cash dividends or share repurchases. The Board of Directors will periodically reconsider the declaration of dividends, assuming payment of dividends is not limited under the aforementioned indentures. The reinstatement of quarterly dividends, the amount of such dividends and the form in which the dividends are paid (cash or stock) will depend upon our financial condition, results of operations and other factors that the Board of Directors deems relevant.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about the Company's shares of common stock that may be issued under our existing equity compensation plans as of September 30, 2015, all of which have been approved by our stockholders:

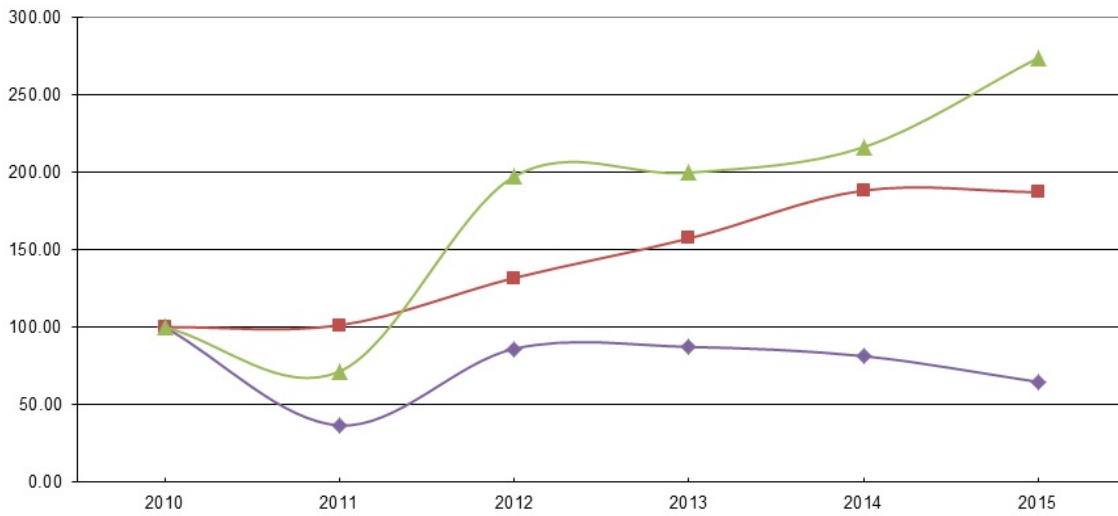
Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	643,907	\$18.13	1,330,893

Issuer Purchases of Equity Securities

None.

## Performance Graph

The following graph illustrates the cumulative total stockholder return on Beazer Homes' common stock for the last five fiscal years through September 30, 2015, as compared to the S&P 500 Index and the S&P 500 Homebuilding Index. The comparison assumes an investment of \$100 at September 30, 2010 in Beazer Homes' common stock and in each of the benchmark indices specified, assumes that all dividends were reinvested and accounts for the impact of any stock splits, where applicable. Stockholder returns over the indicated period are based on historical data and should not be considered indicative of future stockholder returns.



	Fiscal Year Ended September 30,				
	2011	2012	2013	2014	2015
<sup>u</sup> Beazer Homes USA, Inc.	36.56	85.96	87.17	81.26	64.55
<sup>s</sup> S&P 500 Index	101.14	131.69	157.16	188.18	187.02
<sup>p</sup> S&P 500 Homebuilding Index	71.28	197.13	199.63	216.12	273.79



## Item 6. Selected Financial Data

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

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
(\$ in millions, except per share amounts and unit data)					
<b>Statements of Income Data: <sup>(a)</sup></b>					
Total revenue	\$ 1,627	\$ 1,464	\$ 1,288	\$ 1,006	\$ 742
Gross profit	272	263	214	105	48
Gross margin <sup>(a), (b)</sup>	16.7%	18.0%	16.6%	10.4%	6.5%
Operating income (loss)	\$ 52	\$ 56	\$ 27	\$ (62)	\$ (132)
Income (loss) from continuing operations	347	35	(32)	(136)	(200)
Income (loss) per share from continuing operations - basic	12.54	1.35	(1.30)	(7.34)	(13.53)
Income (loss) per share from continuing operations - diluted	10.91	1.10	(1.30)	(7.34)	(13.53)
<b>Balance Sheet Data (end of year): <sup>(c)</sup></b>					
Cash and cash equivalents and restricted cash	\$ 290	\$ 387	\$ 553	\$ 741	\$ 647
Inventory	1,698	1,561	1,314	1,112	1,204
Total assets	2,421	2,066	1,987	1,982	1,977
Total debt	1,528	1,535	1,512	1,498	1,489
Stockholders' equity	630	279	241	262	198
<b>Supplemental Financial Data: <sup>(c)</sup></b>					
Cash (used in) provided by:					
Operating activities	\$ (81)	\$ (160)	\$ (175)	\$ (21)	\$ (179)
Investing activities	27	(32)	190	5	(260)
Financing activities	(19)	12	1	134	273
<b>Financial Statistics: <sup>(c)</sup></b>					
Total debt as a percentage of total debt and stockholders' equity	70.8%	84.6%	86.3%	85.1%	88.2%
Net debt as a percentage of net debt and stockholders' equity <sup>(d)</sup>	66.6%	81.0%	80.4%	74.9%	81.5%
Adjusted EBITDA from total operations <sup>(e)</sup>	\$ 126.8	\$ 128.3	\$ 86.3	\$ 21.8	\$ (24.9)
Adjusted EBITDA margin from total operations <sup>(f)</sup>	7.8%	8.8%	6.7%	2.2%	(3.4)%
<b>Operating Statistics from continuing operations:</b>					
New orders, net	5,358	4,748	5,026	4,901	3,927
Closings	5,010	4,951	5,056	4,428	3,249
Average selling price on closings (in thousands)	\$ 313.5	\$ 284.8	\$ 253.0	\$ 224.9	\$ 219.4
Units in backlog	2,038	1,690	1,893	1,923	1,450
Average selling price in backlog (in thousands)	\$ 327.6	\$ 305.3	\$ 279.0	\$ 249.1	\$ 230.7

<sup>(a)</sup> Statements of income data is from continuing operations. Gross profit includes inventory impairments and lot options abandonments of \$3.1 million, \$8.3 million, \$2.6 million, \$12.2 million and \$32.5 million for the fiscal years ended September 30, 2015, 2014, 2013, 2012 and 2011, respectively, as well as certain unexpected warranty costs in Florida and New Jersey that are detailed below. The aforementioned charges related to impairments and lot option abandonments were primarily driven by the deterioration of the homebuilding environment over the applicable years. Income (loss) from continuing operations for the fiscal years ended 2015, 2014, 2013, 2012 and 2011 also includes losses on extinguishment of debt of \$0.1 million, \$19.9 million, \$4.6 million, \$45.1 million and \$2.9 million, respectively.

<sup>(b)</sup> Gross margin = gross profit divided by total revenue.

<sup>(c)</sup> Discontinued operations were not segregated in the consolidated balance sheets or consolidated statements of cash flows.

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

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

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

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

In addition, given the unusual size and nature of certain charges recorded during the periods presented, Adjusted EBITDA is also shown excluding these charges in the following table. Management believes that this representation best reflects the operating characteristics of the Company.

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

(In thousands)	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
Net income (loss)	\$ 344,094	\$ 34,383	\$ (33,868)	\$ (145,326)	\$ (204,859)
(Benefit from) provision for income taxes	(325,927)	(41,802)	(3,684)	(40,747)	3,429
Interest amortized to home construction and land sales expenses and capitalized interest impaired	56,164	41,065	41,246	61,227	48,289
Interest expense not qualified for capitalization	29,822	50,784	59,458	71,474	73,440
Loss on debt extinguishment	80	19,917	4,636	45,097	2,909
Adjusted EBIT	104,233	104,347	67,788	(8,275)	(76,792)
Depreciation and amortization and stock compensation amortization	19,473	15,866	15,642	17,573	17,878
Inventory impairments and option contract abandonments	3,109	8,062	2,650	12,514	33,458
Joint venture impairment and abandonment charges	—	—	181	36	594
Adjusted EBITDA	126,815	128,275	86,261	21,848	(24,862)
Unexpected warranty costs related to Florida stucco issues (net of expected insurance recoveries)	13,582	4,290	—	—	—
Unexpected warranty costs related to water intrusion issue in New Jersey	—	648	—	—	—
Litigation settlement in discontinued operations	3,660	—	—	—	—
Adjusted EBITDA excluding unexpected warranty costs and a litigation settlement in discontinued operations	\$ 144,057	\$ 133,213	\$ 86,261	\$ 21,848	\$ (24,862)

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

### Executive Overview and Outlook

#### *Market Conditions*

We believe that the housing recovery continues to move forward but could be temporarily interrupted by uncertainties around an expected increase in interest rates, as well as recent volatility experienced in the U.S. and international markets. These factors have continued to negatively affect consumer confidence, which tends to directly impact demand for new homes. Nonetheless, the fundamentals, including favorable demographic trends, excellent affordability and employment growth, continue to point to a stronger and more stable level of demand for new homes in the years ahead. The overall shape of the recovery has been flatter than many predicted due, in large part, to continuing mortgage constraints, employment insecurity and lack of wage growth, which further impact consumer confidence and a potential customer's ability to purchase and finance a new home. Additionally, while historic bad weather in our Texas markets delayed home deliveries and contributed to margin pressures in the latter part of our fiscal 2015, we do not believe that these factors will impact our performance in the long run.

#### *Overview of Results for Our Fiscal 2015*

After returning to profitability during our last fiscal year, our fiscal 2015 represented a meaningful step forward in achieving our "2B-10" goals (refer to discussion below), with growth in both revenue and Adjusted EBITDA arising from higher community count, additional closings and an increase in average sales prices. This was accomplished while maintaining our operating margins, as the benefit from improving leverage and higher prices offset the impact from rising costs. Looking ahead to fiscal 2016 and beyond, we expect significant EBITDA growth, as we benefit from more closings, further increases in average sales prices and additional fixed cost leverage. At the same time, we expect to take steps in fiscal 2016 to reduce our leverage, reflecting our view that doing so in an improving market will create long-term shareholder value.

The Company reported full year net income of \$344.1 million for fiscal 2015, which included several significant, non-recurring items:

- The release of a substantial portion of our valuation allowance on our deferred tax assets of \$335.2 million;
- Unexpected warranty costs related to Florida stucco issues of \$26.3 million, offset by anticipated insurance recoveries of \$12.7 million, for a net impact of \$13.6 million; and
- A litigation settlement in discontinued operations of \$3.7 million.

The substantial release of our valuation allowance on our deferred tax assets represents a current-year benefit from income taxes that was recorded during the fourth quarter. For additional discussion of this release, refer to Note 13 of notes to the consolidated financial statements in this Form 10-K. The warranty costs related to Florida stucco issues (the Florida stucco issues) relate to faulty stucco installation in several communities that we have been remediating since the latter half of our fiscal 2014. However, starting in the second quarter of our fiscal 2015, the cost of a substantial majority of these repairs is now the responsibility of our insurer, since we passed our self-retention limits on several policy years. For a further discussion of this matter, refer to Note 9 of notes to the consolidated financial statements in this Form 10-K. For the year ended September 30, 2015, excluding the impact of these charges, homebuilding gross margin before impairments and abandonments and interest amortized to cost of sales would have been 21.5% and Adjusted EBITDA would have been \$144.1 million.

#### *Reaching "2B-10"*

In November 2013, we introduced a multi-year "2B-10" plan, which provided a roadmap of revenue and margin metrics to achieve \$2 billion in revenue with a 10% Adjusted EBITDA margin. Taken together, reaching "2B-10" would result in Adjusted EBITDA of at least \$200 million. In November 2015, we have refined the specific metrics we expect will lead us to our "2B-10" objectives by providing ranges to each metric instead of point estimates. Since we rolled out our "2B-10" plan, we have consistently noted that there are a number of paths to achieving our underlying goal of \$200 million of EBITDA. Additionally, during the second quarter of our fiscal 2015, we made the decision that we would not continue to reinvest in new homebuilding assets in our New Jersey division, which had a modest impact on the timing of the achievement of our "2B-10" objectives. Nonetheless, we continue our commitment to reaching these objectives as soon as possible. We expect to reach these objectives by making improvements on five key metrics: (1) sales per community per month (or our absorption rate); (2) active community count; (3) average selling prices (ASP); (4) homebuilding gross margins and (5) cost leverage as measured by selling, general and administrative costs (SG&A) as a percentage of total revenue.

During fiscal 2015, we continued to make progress on several of these metrics, most notably by growing revenue to \$1.6 billion, up 11.2% year-over-year, and increasing our community count to 166 as of September 30, 2015, which is up from 155 as of the end of the prior fiscal year. Adjusted EBITDA was \$126.8 million compared to \$128.3 million in the prior year, a slight decline

of 1.1%, and Adjusted EBITDA margin was 7.8% compared to 8.8% in the prior fiscal year, a decline of 100 basis points. However, excluding the one-time items noted above (related to the Florida stucco issues and litigation settlement in discontinued operations), Adjusted EBITDA would have increased 8.1% year-over-year, after also adjusting fiscal 2014 for the Florida stucco issues and the water intrusion issue in New Jersey (refer to Item 6, Selected Financial Data, in this Form 10-K for a reconciliation of Adjusted EBITDA). These improvements were due to the intense focus we have placed on the operational drivers of this plan, and in part, to stronger home pricing conditions. Our progress on each metric is discussed in more detail below.

During fiscal 2015, our rate of sales per community per month was 2.8, which was comparable with the prior fiscal year and remains one of the strongest absorption rates in the industry. Although we experienced declining absorption rates in our most recent quarter due in part to a dip in consumer confidence and fears relating to interest rates, we are still an industry leader in this metric and continue to focus on it as a top strategic priority. Our updated "2B-10" plan anticipates sales per community per month to be in the range of 2.8 to 3.2.

Over the past couple of years, we significantly increased our level of land investments in an effort to grow our active community count. We purchased mostly raw and partially developed land in some of the best school districts and most active job markets in the country. We ended fiscal 2015 with 166 active communities, which was 7.1% higher than a year earlier. For fiscal 2016, we plan to continue our investment in current and replacement communities to drive year-over-year order growth. Our revised "2B-10" target metric is a community count range between 170 and 175, which we are approaching.

Although we have been buying land in almost all of our markets, our incremental land investments over the past couple of years have been disproportionately focused on securing attractive parcels in Texas, California and the Mid-Atlantic, which feature some of the strongest employment characteristics and school districts in the country, as well as some of our higher-priced product lines. This geographic mix shift, combined with some market pricing power, has led to a significant rise in our ASP from \$284.8 thousand last year to \$313.5 thousand this year. In addition, we ended fiscal 2015 with an ASP for our units in backlog of \$327.6 thousand, indicating that future ASPs should continue to increase. Our targeted "2B-10" metric for ASP has been increased to a range of \$330.0 thousand to \$340.0 thousand.

We lost some progress on improving homebuilding gross margin during fiscal 2015. For the year, our homebuilding gross margin (excluding impairments, abandonments and interest in cost of sales) declined 130 basis points to 20.6%. Our "2B-10" target for our homebuilding margin metric is now between 21.0% and 22.0%. Excluding the impact of Florida stucco issues, offset by the credit for anticipated insurance recoveries, homebuilding margin would have been 21.5% for fiscal 2015, which is within our revised "2B-10" target range. As discussed further below, our homebuilding gross margin has declined due to an increase in the cost of land, driven by both market conditions and the structure of our land deals, and labor, as well as geographic mix.

Finally, our cost leverage improved from fiscal 2014. Our SG&A expenses were 12.8% of total revenue for fiscal 2015, compared with 13.3% a year earlier. Although this metric continues to be above our "2B-10" target range of 11.0% to 12.0%, as we continue to grow total revenue in future quarters, we anticipate further improvement on this metric.

We expect to continue our focus on our "2B-10" metrics during fiscal 2016, with particular emphasis on driving sales absorptions within our increased number of active communities and improving our homebuilding gross margin.

**Seasonal and Quarterly Variability:** Our homebuilding operating cycle generally reflects escalating new order activity in the second and third fiscal quarters and increased closings in the third and fourth fiscal quarters. The following tables present certain quarterly operating data for the periods presented:

<b>New Orders (Net of Cancellations)</b>					
	<b>1st Qtr</b>	<b>2nd Qtr</b>	<b>3rd Qtr</b>	<b>4th Qtr</b>	<b>Total</b>
<b>2015</b>	<b>966</b>	<b>1,698</b>	<b>1,524</b>	<b>1,170</b>	<b>5,358</b>
2014	895	1,390	1,290	1,173	4,748
2013	932	1,521	1,381	1,192	5,026

<b>Closings</b>					
	<b>1st Qtr</b>	<b>2nd Qtr</b>	<b>3rd Qtr</b>	<b>4th Qtr</b>	<b>Total</b>
<b>2015</b>	<b>885</b>	<b>936</b>	<b>1,293</b>	<b>1,896</b>	<b>5,010</b>
2014	1,038	977	1,241	1,695	4,951
2013	1,038	1,127	1,234	1,657	5,056

## RESULTS OF CONTINUING OPERATIONS

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

(\$ in thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
<b>Revenues:</b>			
Homebuilding	\$ 1,570,627	\$ 1,409,880	\$ 1,279,212
Land sales and other	56,786	53,887	8,365
Total	\$ 1,627,413	\$ 1,463,767	\$ 1,287,577
<b>Gross profit:</b>			
Homebuilding	\$ 267,269	\$ 260,746	\$ 212,054
Land sales and other	5,175	2,713	2,076
Total	\$ 272,444	\$ 263,459	\$ 214,130
<b>Gross margin:</b>			
Homebuilding <sup>(a)</sup>	17.0 %	18.5%	16.6%
Land sales and other	9.1 %	5.0%	24.8%
Total	16.7 %	18.0%	16.6%
<b>Commissions</b>	\$ 65,023	\$ 58,028	\$ 52,922
<b>General and administrative expenses (G&amp;A)</b>	\$ 142,496	\$ 136,463	\$ 121,163
<b>SG&amp;A (commissions plus G&amp;A) as a percentage of total revenue</b>	12.8 %	13.3%	13.5%
<b>G&amp;A as a percentage of total revenue</b>	8.8 %	9.3%	9.4%
<b>Depreciation and amortization</b>	\$ 13,338	\$ 13,279	\$ 12,784
<b>Operating income</b>	\$ 51,587	\$ 55,689	\$ 27,261
<b>Operating income as a percentage of total revenue</b>	3.2 %	3.8%	2.1%
<b>Effective tax rate<sup>(b)</sup></b>	(1,473.3)%	608.0%	9.8%
<b>Equity in income (loss) of unconsolidated entities</b>	\$ 536	\$ 6,545	\$ (113)
<b>Loss on extinguishment of debt</b>	(80)	(19,917)	(4,636)

<sup>(a)</sup> In addition to other items, our homebuilding gross margins in the current and prior fiscal year were impacted by unexpected warranty costs related to the Florida stucco issues and one community in New Jersey. Refer to further discussion of these items below in section titled "Homebuilding Gross Profit and Gross Margin."

<sup>(b)</sup> Calculated as tax benefit for the period divided by income (loss) from continuing operations. Due to the effects of changes in our valuation allowance on our deferred tax assets and changes in our unrecognized tax benefits, our effective tax rates are not meaningful metrics, as our income tax provisions and benefits are currently not directly correlated to the amount of pretax income or loss for the associated periods.

### Homebuilding Operations Data

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

	New Orders, net					Cancellation Rates		
	2015	2014	2013	15 v 14	14 v 13	2015	2014	2013
West	2,352	1,815	2,176	29.6 %	(16.6)%	19.7%	21.9%	22.9%
East	1,433	1,539	1,543	(6.9)%	(0.3)%	22.8%	21.4%	24.3%
Southeast	1,573	1,394	1,307	12.8 %	6.7 %	18.1%	20.5%	16.7%
Total	5,358	4,748	5,026	12.8 %	(5.5)%	20.1%	21.3%	21.8%

Sales per active community per month of 2.8 for the year ended September 30, 2015 was even with the same metric for the year ended September 30, 2014. However, during the current fiscal year, we opened 66 communities and closed out of 52, leading to an active community count of 166 as of September 30, 2015, compared to 155 as of September 30, 2014. This growth in community count resulted in the 12.8% year-over-year increase in net new orders shown above. The fiscal 2015 increase in new orders, net in

our West segment was driven by substantial year-over-year increases in Texas and California, offset by a decline in Las Vegas. The negative year-over-year trend for fiscal 2015 in our East segment was largely driven by a decline in new orders, net in New Jersey, where we elected not to continue to reinvest in new homebuilding assets. Excluding New Jersey, our new orders, net in our East segment would have declined 1.1% in fiscal 2015 when compared with the prior fiscal year. Finally, the fiscal 2015 increase in new orders, net over fiscal 2014 in our Southeast segment was driven by sizable increases in our Atlanta and Charleston markets. In fiscal 2014, the decrease in new orders in the West segment was primarily driven by the close out of several communities during fiscal 2014 in advance of new community openings and by a softening homebuyer market in Las Vegas and Phoenix.

The table below summarizes backlog units by reportable segment, as well as aggregate dollar value of homes in backlog and ASP in backlog as of September 30, 2015, 2014 and 2013:

	As of September 30,				
	2015	2014	2013	15 v 14	14 v 13
<b>Backlog Units:</b>					
West	955	557	738	71.5 %	(24.5)%
East	487	600	661	(18.8)%	(9.2)%
Southeast	596	533	494	11.8 %	7.9 %
Total	2,038	1,690	1,893	20.6 %	(10.7)%
Aggregate dollar value of homes in backlog (in millions)	\$ 667.7	\$ 515.9	\$ 528.1	29.4 %	(2.3)%
ASP in backlog (in thousands)	\$ 327.6	\$ 305.3	\$ 279.0	7.3 %	9.4 %

Backlog reflects the number of homes for which the Company has entered into a sales contract with a customer but has not yet delivered the home. Backlog as of September 30, 2015 is higher than the prior year, driven by the increase in new orders, net year-over-year, discussed above, and a higher active community count. Growth in new orders and backlog over time is expected as the sales pace in recently opened communities improves. Backlog as of September 30, 2014 was lower than the prior fiscal year due to the slower selling environment experienced, as evidenced by the decline in sales per community per month in the last three quarters of fiscal 2014 compared to the prior year.

### Homebuilding Revenues, Average Selling Price and Closings

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

(In thousands)	Homebuilding Revenues					Average Selling Price				
	2015	2014	2013	15 v 14	14 v 13	2015	2014	2013	15 v 14	14 v 13
West	\$ 584,202	\$ 537,149	\$ 543,524	8.8%	(1.2)%	\$ 299.0	\$ 269.1	\$ 238.7	11.1%	12.7%
East	549,484	525,439	482,468	4.6%	8.9 %	355.4	328.4	296.2	8.2%	10.9%
Southeast	436,941	347,292	253,220	25.8%	37.2 %	289.4	256.3	220.2	12.9%	16.4%
Total	\$ 1,570,627	\$ 1,409,880	\$ 1,279,212	11.4%	10.2 %	\$ 313.5	\$ 284.8	\$ 253.0	10.1%	12.6%

	Closings				
	2015	2014	2013	15 v 14	14 v 13
West	1,954	1,996	2,277	(2.1)%	(12.3)%
East	1,546	1,600	1,629	(3.4)%	(1.8)%
Southeast	1,510	1,355	1,150	11.4 %	17.8 %
Total	5,010	4,951	5,056	1.2 %	(2.1)%

Generally, improved operational strategies, product and geographic mix, as well as improved market conditions in certain of our markets, enhanced our ability to generate a higher ASP over our past two fiscal years. In particular, a higher proportion of closings generated from certain markets with high ASPs, including California, have pushed our overall ASP higher, particularly during our fiscal 2015. This higher ASP, and to some extent a year-over-year increase in closings, drove our increase in homebuilding revenues for fiscal 2015 as compared to the prior year; a higher ASP was the reason for our fiscal 2014 increase in homebuilding revenues, despite the decline in closings, as compared to fiscal 2013.

Overall, we anticipate that our ASP will likely continue to increase in future quarters, as indicated by our increase in ASP for homes in backlog and continued product and geographic mix shift toward higher priced markets. We also anticipate that our closings in future quarters will increase as we begin to close homes in several recently opened communities and as our number of active communities continues to increase.

### Homebuilding Gross Profit and Gross Margin

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

(\$ in thousands)

	Fiscal Year Ended September 30, 2015								
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit w/o I&A	HB Gross Margin w/o I&A	Interest Amortized to HB COS	HB Gross Profit w/o I&A and Interest	HB Gross Margin w/o I&A and Interest	
West	\$ 121,264	20.8%	\$ —	\$ 121,264	20.8%	\$ —	\$ 121,264	20.8%	
East	104,451	19.0%	1,676	106,127	19.3%	—	106,127	19.3%	
Southeast	79,062	18.1%	—	79,062	18.1%	—	79,062	18.1%	
Corporate & unallocated	(37,508)		—	(37,508)		55,006	17,498		
<b>Total homebuilding</b>	<b>\$ 267,269</b>	<b>17.0%</b>	<b>\$ 1,676</b>	<b>\$ 268,945</b>	<b>17.1%</b>	<b>\$ 55,006</b>	<b>\$ 323,951</b>	<b>20.6%</b>	

(\$ in thousands)

	Fiscal Year Ended September 30, 2014								
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit w/o I&A	HB Gross Margin w/o I&A	Interest Amortized to HB COS	HB Gross Profit w/o I&A and Interest	HB Gross Margin w/o I&A and Interest	
West	\$ 120,048	22.3%	\$ 4,948	\$ 124,996	23.3%	\$ —	\$ 124,996	23.3%	
East	99,400	18.9%	463	99,863	19.0%	—	99,863	19.0%	
Southeast	66,743	19.2%	2,523	69,266	19.9%	—	69,266	19.9%	
Corporate & unallocated	(25,445)		373	(25,072)		39,255	14,183		
<b>Total homebuilding</b>	<b>\$ 260,746</b>	<b>18.5%</b>	<b>\$ 8,307</b>	<b>\$ 269,053</b>	<b>19.1%</b>	<b>\$ 39,255</b>	<b>\$ 308,308</b>	<b>21.9%</b>	

(\$ in thousands)

	Fiscal Year Ended September 30, 2013								
	HB Gross Profit (Loss)	HB Gross Margin	Impairments & Abandonments (I&A)	HB Gross Profit w/o I&A	HB Gross Margin w/o I&A	Interest Amortized to HB COS	HB Gross Profit w/o I&A and Interest	HB Gross Margin w/o I&A and Interest	
West	\$ 114,813	21.1%	\$ 378	\$ 115,191	21.2%	\$ —	\$ 115,191	21.2%	
East	87,081	18.0%	156	87,237	18.1%	—	87,237	18.1%	
Southeast	48,260	19.1%	2,099	50,359	19.9%	—	50,359	19.9%	
Corporate & unallocated	(38,100)		—	(38,100)		41,246	3,146		
<b>Total homebuilding</b>	<b>\$ 212,054</b>	<b>16.6%</b>	<b>\$ 2,633</b>	<b>\$ 214,687</b>	<b>16.8%</b>	<b>\$ 41,246</b>	<b>\$ 255,933</b>	<b>20.0%</b>	

Our overall homebuilding gross profit increased to \$267.3 million for the fiscal year ended September 30, 2015 from \$260.7 million in the prior year. The increase was due to additional gross profit on a \$160.7 million increase in homebuilding revenues, which offset a decline in homebuilding gross margin from 18.5% in the prior fiscal year to 17.0% in fiscal 2015. However, in both fiscal years, we had unexpected warranty costs that impacted our homebuilding gross profit and margin. When excluding the impact of these specific costs (refer to Item 6, Selected Financial Data, in this Form 10-K), our homebuilding gross margin would have been 17.9% for fiscal 2015 (21.5% without impairments and abandonments and interest), compared with 18.8% for fiscal 2014 (22.2% without impairments and abandonments and interest). The decline in our margin, after considering impairments and abandonments, interest, and unexpected warranty costs, is due to (1) higher overall lot costs, as land in certain markets continues to rise in value; (2) the structure of our land deals, as finished lot purchases or the use of land bankers tend to result in lower gross margins; (3) higher labor costs and (4) geographic mix of closings.

Our overall homebuilding gross profit increased to \$260.7 million for the fiscal year ended September 30, 2014 from \$212.1 million in the prior year. The increase was primarily due to the \$130.7 million increase in homebuilding revenues, including a 12.6%

increase in ASP, partially offset by a \$5.7 million increase in impairments and abandonments and \$4.9 million of unexpected warranty costs recorded in the fourth quarter of fiscal 2014. The \$4.9 million of unexpected warranty costs related to the Florida stucco issues and water intrusion issues in a single community in New Jersey (refer to Note 9 of notes to the consolidated financial statements in this Form 10-K).

Total homebuilding gross profit and gross margin excluding inventory impairments and abandonments and interest amortized to cost of sales are not GAAP financial measures. These measures should not be considered alternatives to homebuilding gross profit determined in accordance with GAAP as an indicator of operating performance. The magnitude and volatility of non-cash inventory impairment and abandonment charges for the Company, and for other homebuilders, have been significant and, as such, have made financial analysis of our industry more difficult. Homebuilding metrics excluding these charges, and other similar presentations by analysts and other companies, are frequently used to assist investors in understanding and comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective level of impairments and levels of debt. Management believes these non-GAAP measures enable holders of our securities to better understand the cash implications of our operating performance and our ability to service our debt obligations as they currently exist and as additional indebtedness is incurred in the future. These measures are also useful internally, helping management compare operating results and as a measure of the level of cash which may be available for discretionary spending.

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

The asset valuations which result from our impairment calculations are based on discounted cash flow analyses and are not derived by simply applying prospective gross margins to individual communities. As such, impaired communities may have gross margins that are somewhat higher or lower than the gross margin for unimpaired communities. The mix of home closings in any particular quarter varies to such an extent that comparisons between previously impaired and never impaired communities would not be a reliable way to ascertain profitability trends or to assess the accuracy of previous valuation estimates. In addition, since any amount of impairment turn is tied to individual lots in specific communities, it will vary considerably from period to period. As a result of these factors, we review the impairment turn impact on gross margins on a trailing 12-month basis rather than a quarterly basis as a way of considering whether our impairment calculations are resulting in gross margins for impaired communities that are comparable to our unimpaired communities. For fiscal 2015, our homebuilding gross margin was 17.0% and excluding interest and inventory impairments and abandonments, it was 20.6%. For the same period, homebuilding gross margins were as follows in those communities that have previously been impaired, which represented 6.9% of total closings during fiscal 2015:

Homebuilding Gross Margin from previously impaired communities:	
Pre-impairment turn gross margin	(4.0)%
Impact of interest amortized to COS related to these communities	5.5 %
Pre-impairment turn gross margin, excluding interest amortization	1.5 %
Impact of impairment turns	14.2 %
Gross margin (post impairment turns), excluding interest amortization	15.7 %

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



## Land Sales and Other Revenues and Gross Profit

Land sales relate to land and lots sold that did not fit within our homebuilding programs and strategic plans in certain markets. Other revenues include net fees we received for general contractor services we performed on behalf of a third party and broker fees. The following tables summarize our land sales and other revenues and related gross profit (loss) from continuing operations by reportable segment for the periods presented:

(In thousands)	Land Sales and Other Revenues				
	2015	2014	2013	15 v 14	14 v 13
West	\$ 23,313	\$ 19,592	\$ 4,112	19.0 %	376.5 %
East	27,076	26,643	1,217	1.6 %	2,089.2 %
Southeast	6,397	7,652	3,036	(16.4) %	152.0 %
Corporate and unallocated <sup>(a)</sup>	—	—	—	n/m	n/m
<b>Total</b>	<b>\$ 56,786</b>	<b>\$ 53,887</b>	<b>\$ 8,365</b>	<b>5.4 %</b>	<b>544.2 %</b>

(In thousands)	Land Sales and Other Gross Profit (Loss)				
	2015	2014	2013	15 v 14	14 v 13
West	\$ 5,399	\$ 2,209	\$ 416	144.4 %	431.0 %
East	732	1,716	231	(57.3) %	642.9 %
Southeast	847	829	1,429	2.2 %	(42.0) %
Corporate and unallocated <sup>(a)</sup>	(1,803)	(2,041)	—	n/m	n/m
<b>Total</b>	<b>\$ 5,175</b>	<b>\$ 2,713</b>	<b>\$ 2,076</b>	<b>90.7 %</b>	<b>30.7 %</b>

<sup>(a)</sup> Corporate and unallocated includes interest and indirects related to land sold that was costed off.

n/m - indicates the percentage is "not meaningful."

As we anticipated, we closed on a number of land sales during our fiscal 2015 and 2014, resulting in higher land sale revenue captured in the table above. These land sales related to land and lots sold that, as noted, did not fit within our homebuilding programs and strategic plans in certain markets. In 2015, the land sales in our East segment included land and lots sold in New Jersey, where we elected to not continue to reinvest in homebuilding assets. The proceeds from these sales are being used to invest in selected markets for future growth.

## Operating Income

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

(In thousands)	Fiscal Year Ended September 30,				
	2015	2014	2013	15 v 14	14 v 13
West	\$ 67,236	\$ 65,442	\$ 59,084	\$ 1,794	\$ 6,358
East	52,516	48,127	40,670	4,389	7,457
Southeast	37,114	31,854	23,030	5,260	8,824
Corporate and unallocated <sup>(a)</sup>	(105,279)	(89,734)	(95,523)	(15,545)	5,789
<b>Operating Income</b>	<b>\$ 51,587</b>	<b>\$ 55,689</b>	<b>\$ 27,261</b>	<b>\$ (4,102)</b>	<b>\$ 28,428</b>

<sup>(a)</sup> Corporate and unallocated includes amortization of capitalized interest and indirects, as well as costs related to numerous shared services functions that benefit all segments and are not allocated.

Our operating income declined by \$4.1 million to \$51.6 million for the fiscal year ended September 30, 2015, compared to \$55.7 million for fiscal 2014. As a percentage of revenue, our operating income was 3.2% for fiscal 2015 compared to 3.8% for fiscal 2014. Although year-over-year revenues were higher leading to an increase in gross profit of \$9.0 million, as explained above, several items led to the decline in operating income: (1) a \$7.0 million increase in year-over-year commission expense due to higher closings, ASP and, ultimately, homebuilding revenues over fiscal 2014 (commissions as a percentage of homebuilding revenues remained at 4.1%, flat with the prior fiscal year); and (2) G&A increased by \$6.0 million, reflecting higher costs incurred due to business growth (but declined as a percentage of total revenue from 9.3% in fiscal 2014 to 8.8%).

Operating income improved by \$28.4 million for the fiscal year ended September 30, 2014 compared to the prior fiscal year. As a percentage of revenue, our operating income was 3.8% for fiscal 2014 compared to 2.1% for fiscal 2013. The year-over-year increase primarily reflects the impact of increased revenues and gross profit, operational efficiencies and market improvements.

## **Income taxes**

Our income tax assets and liabilities and related effective tax rate are affected by various factors, the most significant of which is the valuation allowance that was recorded against substantially all of our deferred tax assets and was partially released in the fourth quarter of our fiscal 2015. Due to the effect of our valuation allowance adjustments beginning in fiscal 2008, a comparison of our annual effective tax rates must consider the changes in our valuation allowance. As such, our effective tax rates are not meaningful metrics as our income tax provisions and benefits are currently not directly correlated to the amount of pretax income or loss for the associated periods.

The tax benefit recognized during the fiscal year ended September 30, 2015 was related to the release of a substantial portion of the valuation allowance on our deferred tax assets that we established beginning in fiscal 2008. For a further discussion of this release, refer to Note 13 of the notes to consolidated financial statements in this Form 10-K. The tax benefit recognized during the fiscal year ended September 30, 2014 related primarily to the refund of tax and accrued interest from our IRS examination closing, release of estimated liabilities for previously uncertain tax positions and utilization of certain carryback opportunities. The tax benefit recognized during the fiscal year ended September 30, 2013 related primarily to our release of estimated liabilities for previously uncertain tax positions and utilization of certain carryback opportunities.

### ***Fiscal year ended September 30, 2015 as compared to 2014***

***West Segment:*** Homebuilding revenues increased 8.8% for the fiscal year ended September 30, 2015 compared to the prior fiscal year, primarily due to an 11.1% increase in ASP, partially offset by a 2.1% decrease in closings. The decrease in closings was driven by a lower backlog at the start of the year from lower new orders, net during our fiscal 2014. However, new orders, net in fiscal 2015 quickly picked up, particularly in our Texas and California operations. As compared to the prior fiscal year, our homebuilding gross profit increased \$1.2 million on lower closings, partially due to \$4.9 million in impairments and abandonments recognized in fiscal 2014. Homebuilding gross margins without impairments and abandonments decreased from 23.3% to 20.8% due to community and geographic mix, as well as increases in indirect construction costs. Greater year-over-year homebuilding gross profit and an increase in land sales and other gross profit of \$3.2 million, partially offset by an increase in commissions and selling and marketing costs (due to an increase in homebuilding revenues and growth in community count, respectively), led to a net increase in operating income of \$1.8 million over fiscal 2014.

***East Segment:*** Homebuilding revenues increased 4.6% for the fiscal year ended September 30, 2015 compared to the prior fiscal year, driven by an 8.2% increase in ASP, partially offset by a 3.4% decrease in closings. The decline in closings is primarily due to a year-over-year reduction in New Jersey, where we elected not to continue to reinvest in new homebuilding assets. The increase in homebuilding revenues led to a \$5.1 million increase in our homebuilding gross profit. Homebuilding gross margins in our East segment increased only slightly, from 18.9% in fiscal 2014 to 19.0% in the current fiscal year, as the positive impact of product and geographic mix were largely offset by lower margins generated by communities being closed out in New Jersey and the impact of a warranty charge of approximately \$0.6 million recorded in the prior year period for one New Jersey community. The increase in operating income in the East segment of \$4.4 million was driven primarily by our increased homebuilding revenues and related gross profit, partially offset by a year-over-year decline in gross profit on land sales.

***Southeast Segment:*** Homebuilding revenues increased 25.8% for the fiscal year ended September 30, 2015 compared to the prior fiscal year, driven by an 11.4% increase in closings combined with a 12.9% increase in ASP. This increase in revenues drove a \$12.3 million increase in homebuilding gross profit. Homebuilding gross margin in our Southeast segment declined from 19.2% in fiscal 2014 to 18.1% due to the current year charge related to the Florida stucco issues of \$26.3 million, offset by \$12.7 million in anticipated insurance recoveries recorded because the Company exceeded its policy thresholds (for a net negative margin impact of \$13.6 million), partially offset by (1) \$4.3 million of prior year charges related to the Florida stucco issues and (2) impairments and abandonments recorded in the prior year of \$2.5 million. Excluding these amounts, margin for both fiscal 2015 and 2014 would have been 21.2%. The higher homebuilding gross profit was partially offset by (1) an increase in year-over-year commissions on account of higher ASPs and closings and (2) incremental sales and marketing and G&A costs to support a higher community count, resulting in a higher operating income for our Southeast segment of \$5.3 million.

***Corporate and Unallocated:*** Corporate and unallocated includes amortization of capitalized interest and indirects, as well as costs related to numerous shared services functions that benefit all segments, including information technology, treasury, corporate finance, legal, branding and national marketing. The costs of these shared services are not allocated to the operating segments. For the fiscal year ended September 30, 2015, our corporate and unallocated costs increased \$15.5 million compared to the prior year due to an increase in interest amortized to cost of sales (refer to Note 6 of notes to the consolidated financial statements in this Form 10-K), as well as certain incremental G&A expenditures related to our business growth. Also included in the corporate and unallocated

line for the current fiscal year is a \$6.2 million credit from the recording of anticipated insurance recoveries above those related to the Florida stucco issues, which is partially offsetting the increased interest and G&A costs.

#### **Fiscal year ended September 30, 2014 as compared to 2013**

**West Segment:** Homebuilding revenues decreased 1.2% for the fiscal year ended September 30, 2014 compared to the prior year, primarily due to a 12.3% decrease in closings, offset by a 12.7% increase in ASP. The decrease in the number of closings was primarily driven by lower new orders. As compared to fiscal 2013, our homebuilding gross profit increased \$5.2 million despite a \$4.6 million increase in impairments and abandonments. Homebuilding gross margins without the impairments and abandonments increased from 21.2% to 23.3%. These increases were primarily due to decreased incentives, product mix and modest price appreciation in most of our submarkets in the West, which enabled us to better absorb increases in direct material, labor and land costs. The \$6.4 million increase in operating income resulted from the aforementioned increase in homebuilding gross profit, offset partially by the \$4.9 million of impairments recorded on two communities in the West.

**East Segment:** Homebuilding revenues increased 8.9% for the fiscal year ended September 30, 2014 compared to the prior fiscal year, driven by a 10.9% increase in ASP, partially offset by a 1.8% decrease in closings. The improvements in homebuilding revenues and ASP also contributed to a \$12.3 million increase in our homebuilding gross profit, partially offset by the unexpected warranty charges related to a single community in New Jersey. As a result, homebuilding gross margins increased year-over-year from 18.0% to 18.9%. The increase in operating income in the East segment was driven primarily by our increased revenues and related gross profit. These increases were offset partially by increases in commissions, sales and marketing and model refurbishment costs to drive absorptions in some of our underperforming communities.

**Southeast Segment:** Homebuilding revenues increased 37.2% for the fiscal year ended September 30, 2014 compared to the prior fiscal year. This increase in revenues drove an \$18.5 million increase in homebuilding gross profit and an \$8.8 million increase in operating income. Operating income was partially offset by the unexpected warranty charges related to the Florida stucco issues, increased commissions, sales and marketing and personnel-related expenses to support the revenue increase. Our fiscal 2014 and fiscal 2013 land sales and other revenue and gross profit in our Southeast segment included net fees received for general contractor services we performed on behalf of a third party.

**Corporate and Unallocated:** For the fiscal year ended September 30, 2014, our corporate and unallocated expense decreased \$5.8 million compared to the prior fiscal year due to an increase in the amount of indirect spending capitalized, offset partially by an increase in personnel-related expenses, including an increase in headcount and variable compensation plans related to our actual and anticipated growth.

**Derivative Instruments and Hedging Activities.** We are exposed to fluctuations in interest rates. From time-to-time, we enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. However, as of September 30, 2015, we were not a party to any such derivative agreements. We do not enter into or hold derivatives for trading or speculative purposes.

#### **Liquidity and Capital Resources**

Our sources of liquidity include, but are not limited to, (1) cash from operations; (2) proceeds from Senior Notes, our Secured Revolving Credit Facility (the Facility) and other bank borrowings; (3) the issuance of equity and equity-linked securities and (4) other external sources of funds. Our short-term and long-term liquidity depends primarily upon our level of net income, working capital management (cash, accounts receivable, accounts payable and other liabilities) and available credit facilities.

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

(In thousands)	2015	2014	2013
Cash used in operating activities	\$ (81,049)	\$ (160,469)	\$ (174,642)
Cash provided by (used in) investing activities	27,377	(32,031)	190,152
Cash (used in) provided by financing activities	(18,899)	12,195	1,154
Net (decrease) increase in cash and cash equivalents	<u>\$ (72,571)</u>	<u>\$ (180,305)</u>	<u>\$ 16,664</u>

**Operating Activities.** We spent \$453.3 million on land and land development spending during the fiscal year ended September 30, 2015, as we focused on replacing closed out communities and positioning the Company to increase its active community count. This spending on land and land development had a significant impact on our cash used in operating activities, resulting in net cash used in operating activities of \$81.0 million for the fiscal year ended September 30, 2015. During the fiscal years ended September 30, 2014 and 2013, our net cash used in operating activities was \$160.5 million and \$174.6 million, respectively. Similar to our

current fiscal year, our net cash used in operating activities in fiscal 2014 and fiscal 2013 was primarily driven by land and land development spending of \$551.2 million and \$475.2 million, respectively.

*Investing Activities.* Net cash provided by investing activities was \$27.4 million for the fiscal year ended September 30, 2015, driven by the sale of our shares in American Homes 4 Rent (AMH) and a decrease in restricted cash collateralizing our outstanding letters of credit (due to a shift in issuances from our cash-secured letter of credit agreements to those issued under the Facility), offset by capital expenditures, primarily for model homes, and additional investments in unconsolidated entities. Net cash used in investing activities was \$32.0 million for the fiscal year ended September 30, 2014, primarily related to capital expenditures for model homes, additional investments in unconsolidated entities and a net increase in restricted cash collateralizing our outstanding letters of credit. Net cash provided by investing activities was \$190.2 million for the fiscal year ended September 30, 2013 and was due primarily to the release of \$205.0 million of restricted cash collateral related to our cash secured loans, offset partially by capital expenditures, primarily for new model homes.

*Financing Activities.* Net cash used in financing activities was \$18.9 million for the year ended September 30, 2015, primarily related to the repayment of certain borrowings, including the remaining senior amortizing notes related to our Tangible Equity Units, \$2.0 million of our Senior Notes due 2016, and certain other secured notes payable. Net cash provided by financing activities for the year ended September 30, 2014 was \$12.2 million, primarily related to the net proceeds from the issuance of \$325 million aggregate principal amount of 5.75% Senior Notes due June 2019 (the June 2019 Notes) at par (before underwriting and other issuance costs) through a private placement to qualified institutional buyers. The proceeds from the issuance of the June 2019 Notes were used to redeem all of our then outstanding Senior Notes due June 2018 (the 2018 Notes), including the applicable \$17.2 million call price and make-whole premiums provided for by the 2018 Notes. In fiscal 2013, we completed a \$200 million senior debt offering, the net proceeds of which were used to repay our then outstanding 2015 Senior Notes and repurchase a portion of our 2019 Senior Notes. Further, in September 2013, we completed another \$200 million senior debt offering, the proceeds of which were used to fund additional land acquisitions, land development and for general corporate purposes. During fiscal 2013, we also repaid \$205 million of our cash secured loans. These transactions resulted in \$1.2 million of cash provided by financing activities in fiscal 2013.

**Financial Position.** As of September 30, 2015, our liquidity position consisted of:

- \$251.6 million in cash and cash equivalents;
- \$101.3 million of remaining capacity under the Facility (due to the use of the Facility to secure \$28.7 million in letters of credit); and
- \$38.9 million of restricted cash, \$22.4 million of which related to our cash secured loans.

While we believe we possess sufficient liquidity, we are mindful of potential short-term or seasonal requirements for enhanced liquidity that may arise to operate and grow our business. We expect to be able to meet our liquidity needs in fiscal 2016 and to maintain a significant liquidity position, subject to changes in market conditions that would alter our expectations for land and land development expenditures or capital market transactions, which could increase or decrease our cash balance on a period-to-period basis.

In June 2016, our 8 1/8% Senior Notes (the 2016 Notes) come due; as of September 30, 2015, the 2016 Notes had a remaining principal balance of \$170.9 million. We intend to refinance these notes in the open market at our earliest opportunity. If we are unable to do so before the 2016 Notes become due, we expect to have sufficient liquidity, including cash from operations and availability under the Facility, to redeem them in full.

**Debt.** We generally fulfill our short-term cash requirements with cash generated from our operations and available borrowings. Additionally, we maintain the Facility, which has a total capacity of \$130 million and an available capacity of \$101.3 million as of September 30, 2015 after considering our outstanding letters of credit backed by the Facility of \$28.7 million. Subsequent to September 30, 2015, we executed a second amendment to the Facility (the Second Amendment), which, among other things, extends the termination date of the Facility to January 15, 2018 and increases its capacity from \$130.0 million to \$145.0 million. For a further discussion of the Second Amendment, refer to Item 9B, Other Information, in this Form 10-K.

We have also entered into a number of stand-alone, cash secured letter of credit agreements with banks. These combined facilities provide for letter of credit needs collateralized by either cash or assets of the Company. We currently have \$14.4 million outstanding letters of credit under these facilities (in addition to the \$28.7 million outstanding letters of credit backed by the Facility), secured with cash collateral that is maintained in restricted accounts totaling \$14.8 million.

In the future, we may from time-to-time seek to continue to retire or purchase our outstanding debt through cash repurchases or in exchange for other debt securities, in open market purchases, privately negotiated transactions or otherwise. In an effort to accelerate our path to profitability, we may seek to expand our business through acquisition, which may be funded through cash, additional

debt or equity. In addition, any material variance from our projected operating results could require us to obtain additional equity or debt financing. There can be no assurance that we will be able to complete any of these transactions in the future on favorable terms or at all. See Note 8 of notes to the consolidated financial statements in this Form 10-K for more information.

**Credit Ratings.** Our credit ratings are periodically reviewed by rating agencies. In June 2015, Moody's upgraded the Company's issuer default debt rating to B3. In September 2014, Fitch reaffirmed the Company's long-term debt rating of B-. In April 2014, S&P reaffirmed the Company's corporate credit rating of B-. These ratings and our current credit condition affect, among other things, our ability to access new capital. Negative changes to these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. Our credit ratings could be lowered or rating agencies could issue adverse commentaries in the future, which could have a material adverse effect on our business, financial condition, results of operations and liquidity. In particular, a weakening of our financial condition, including any further increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, could result in a credit rating downgrade or change in outlook or could otherwise increase our cost of borrowing.

**Stock Repurchases and Dividends Paid.** The Company did not repurchase any shares in the open market during the fiscal years ended September 30, 2015, 2014 or 2013. Any future stock repurchases, to the extent allowed by our debt covenants, must be approved by the Company's Board of Directors or its Finance Committee.

The indentures under which our Senior Notes were issued contain certain restrictive covenants, including limitations on the payment of dividends. As of September 30, 2015, under the most restrictive covenants, none of our retained earnings were available for cash dividends. Hence, there were no dividends paid during the fiscal years ended September 30, 2015, 2014 or 2013.

**Off-Balance Sheet Arrangements.** As of September 30, 2015, we controlled 25,720 lots. We owned 20,110, or 78.2%, of these lots and 5,610, or 21.8%, of these lots were under option contracts with land developers and land bankers, which generally require the payment of cash for the right to acquire lots during a specified period of time at a certain price. We historically have attempted to control a portion of our land supply through options. 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 exercise or terminate the agreement. Under option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers and our liability is generally limited to forfeiture of the non-refundable deposits and other non-refundable amounts incurred, which totaled approximately \$51.5 million as of September 30, 2015. The total remaining purchase price, net of cash deposits, committed under all options was \$420.1 million as of September 30, 2015. As market conditions continue to improve, we may further expand our use of option agreements to supplement our owned inventory supply.

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

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

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

Our unconsolidated entities periodically obtain secured acquisition and development financing. As of September 30, 2015, our unconsolidated entities had borrowings outstanding totaling \$12.2 million. In the past, we and our partners have provided varying levels of guarantees of debt or other obligations for our unconsolidated entities. As of September 30, 2015, we had no repayment guarantees outstanding related to the debt of our unconsolidated entities. See Note 4 of notes to the consolidated financial statements in this Form 10-K for further information.

**Contractual Commitments.** The following table summarizes our aggregate contractual commitments as of September 30, 2015:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Senior notes, junior subordinated notes, cash secured loans and other secured notes payable	\$ 1,574,884	\$ 178,550	\$ 329,629	\$ 565,932	\$ 500,773
Interest commitments under senior notes, junior subordinated notes, cash secured loans and other secured notes payable <sup>(b)</sup>	600,850	126,952	197,383	100,243	176,272
Obligations related to lots under option	420,071	152,732	213,358	49,444	4,537
Operating leases	11,744	4,019	5,405	2,067	253
Uncertain tax positions <sup>(c)</sup>	—	—	—	—	—
Total	<u>\$ 2,607,549</u>	<u>\$ 462,253</u>	<u>\$ 745,775</u>	<u>\$ 717,686</u>	<u>\$ 681,835</u>

<sup>(a)</sup> For a listing of our borrowings, refer to Note 8 of notes to the consolidated financial statements in this Form 10-K.

<sup>(b)</sup> Interest on variable rate obligations is based on rates effective as of September 30, 2015.

<sup>(c)</sup> Due to the uncertainty of the timing of settlement with taxing authorities, the Company is unable to make reasonably reliable estimates of the period of cash settlement of unrecognized tax benefits related to uncertain tax positions. See Note 13 of notes to the consolidated financial statements in this Form 10-K for additional information regarding the Company's unrecognized tax benefits as of September 30, 2015.

We had outstanding performance bonds of approximately \$201.3 million as of September 30, 2015, related principally to our obligations to local governments to construct roads and other improvements in various developments.

## Critical Accounting Policies and Estimates

Our critical accounting policies require the use of judgment in their application and/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 (GAAP), a change in the facts and circumstances of the underlying transactions could significantly change the application of the accounting policies and the resulting financial statement impact. It is also possible that other professionals, applying reasonable judgment to the same set of facts and circumstances, could develop a different conclusion. Listed below are those policies that we believe are critical and require the use of complex judgment in their application.

### *Inventory Valuation - Projects in Progress*

Our homebuilding inventories that are accounted for as projects in progress (held for development) include land and home construction assets grouped together as communities. Homebuilding inventories held for development 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 not be recoverable. We assess these assets no less than quarterly for recoverability. Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct and close all the homes in a typical community. However, the impact of a downturn in our business typically lengthens the estimated life of many communities. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the expected undiscounted cash flows generated are expected to be less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

When conducting our community level review for the recoverability of our homebuilding inventories held for development, we establish a quarterly “watch list” of communities that carry profit margins in backlog or in our forecast that are below a minimum threshold of profitability, as well as recent closings that have gross margins less than a specified threshold. In our experience, this threshold represents a level of profitability that may be an indicator of conditions that would require an asset impairment but does not necessitate that such an impairment is warranted without additional analysis. Each community is first evaluated qualitatively to determine if there are temporary factors driving the low profitability levels. Following our qualitative evaluation, communities with more than 10 homes remaining to close on the quarterly watch list are subjected to substantial additional financial and operational analyses and review that consider the competitive environment and other factors contributing to profit margins below our watch list threshold. For communities where the current competitive and market dynamics indicate that these factors may be other than temporary, which may call into question the recoverability of our investment, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analyses and a quantitative analysis reflecting market and asset specific information.

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

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

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

If the aggregate undiscounted cash flows from our quantitative analyses are in excess of the carrying value, the asset is considered to be recoverable and is not impaired. If the aggregate undiscounted cash flows are less than the carrying or book value, we perform a discounted cash flow analysis to determine the fair value of the community. The fair value of the community is estimated using the present value of the estimated future cash flows using discount rates commensurate with the risk associated with the underlying community assets. The discount rate used may be different for each community. The factors considered when determining an appropriate discount rate for a community include, among others: (1) community specific factors such as the number of lots in the community, the status of land development in the community and the competitive factors influencing the sales performance of the community and (2) overall market factors such as employment levels, consumer confidence and the existing supply of new and used homes for sale. If the determined fair value is less than the carrying value of the specific asset, the asset is considered not recoverable and is written down to its fair value plus the asset's share of capitalized unallocated interest and other costs. The carrying value of assets in communities that were previously impaired and continue to be classified as projects in progress is not increased for future estimates of increases in fair value in future reporting periods.

Due to uncertainties in the estimation process, particularly with respect to projected home sales prices and absorption rates, the timing and amount of the estimated future cash flows and discount rates, it is reasonably possible that actual results could differ from the estimates used in our impairment analyses. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. Because the projected cash flows used to evaluate the fair value of inventory are significantly impacted by changes in market conditions, including decreased sales prices, a change in sales prices or changes in absorption estimates based on current market conditions, management's assumptions relative to future results could lead to additional impairments in certain communities during any given period. Market deterioration that exceeds our estimates may lead us to incur additional impairment charges on previously impaired homebuilding assets in addition to homebuilding assets not currently impaired but for which indicators of impairment may arise if market conditions deteriorate.

#### ***Asset Valuation - Land Held for Future Development***

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

#### ***Asset Valuation - Land Held for Sale***

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

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

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

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

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



and assumptions made by management, which may differ materially from actual results and may result in additional impairments if market conditions deteriorate.

### ***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, some of which must be estimated, 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), 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 owed to internal sales personnel and external brokers are recognized as expense when the closing has occurred. All other costs are expensed as incurred.

### ***Warranty Reserves***

We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined performance quality standards. In addition, we provide a limited warranty (generally ranging from five years up to the period covered by the applicable statute of repose) covering only certain defined construction defects. We also provide a defined structural warranty with single-family homes and townhomes in certain states.

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

### ***Income Taxes - Valuation Allowance and Ownership Change***

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

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

During fiscal 2008, we determined that it was not more likely than not that substantially all of our deferred tax assets would be realized and, therefore, we established a valuation allowance on substantially all of our deferred tax assets. Each period, we have evaluated the continued need for the valuation allowance based on extensive quantitative and qualitative factors, a process that requires significant estimates to be made. As of September 30, 2015, we determined that it was appropriate to release a substantial portion of our valuation allowance, generating a non-cash tax benefit. We considered positive evidence including, most importantly, our current earnings profile, as well as evidence of recovery in the housing markets where we operate, the prospects of continued profitability and growth, a strong order backlog and sufficient balance sheet liquidity to sustain and grow operations. We also considered negative evidence that had caused us to record the valuation allowance. Management will continue to reassess the realizability of our deferred tax assets each reporting period and, in future periods, we may reduce the remaining portion of our valuation allowance or re-establish it based on our ongoing analysis. This ongoing analysis, similar to the analysis supporting our valuation allowance release in fiscal 2015, will continue to be based on our actual financial performance over an estimated “look-back” period, our expectation of future performance based on detailed forecasts, as well as a variety of qualitative factors. These analyses, while rooted in actual Company performance, are highly subjective and rely on certain estimates, including forecasts, which could be very different from actual results.

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

#### ***Investments in Unconsolidated Entities***

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

See Note 4 of notes to the consolidated financial statements in this Form 10-K for more information.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to a number of market risks in the ordinary course of business. Our primary market risk exposure relates to fluctuations in interest rates. We do not believe that our exposure in this area is material to our cash flows or results of operations. As of September 30, 2015, we had variable rate debt outstanding totaling approximately \$22.4 million. A one percent change in the interest rate would not be material to our financial statements. The estimated fair value of our fixed rate debt as of September 30, 2015 was \$1.49 billion, compared to a carrying value of \$1.51 billion. In addition, the effect of a hypothetical one-percentage point decrease in our estimated discount rates would increase the estimated fair value of the fixed rate debt instruments from \$1.49 billion to \$1.54 billion as of September 30, 2015.

Item 8. Financial Statements and Supplementary Data

**BEAZER HOMES USA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)

	September 30, 2015	September 30, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 251,583	\$ 324,154
Restricted cash	38,901	62,941
Accounts receivable (net of allowance of \$1,052 and \$1,245, respectively)	52,379	34,429
Income tax receivable	419	46
Inventory:		
Owned inventory	1,697,590	1,557,496
Land not owned under option agreements	—	3,857
Total inventory	1,697,590	1,561,353
Investments in unconsolidated entities and marketable securities	13,734	38,341
Deferred tax assets, net	325,373	2,823
Property and equipment, net	22,230	18,673
Other assets	18,994	23,460
Total assets	<u>\$ 2,421,203</u>	<u>\$ 2,066,220</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Trade accounts payable	\$ 113,539	\$ 106,237
Other liabilities	148,966	142,516
Obligations related to land not owned under option agreements	—	2,916
Total debt (net of discounts of \$3,639 and \$4,399, respectively)	1,528,275	1,535,433
Total liabilities	<u>1,790,780</u>	<u>1,787,102</u>
Stockholders' equity:		
Preferred stock (par value \$.01 per share, 5,000,000 shares authorized, no shares issued)	—	—
Common stock (par value \$0.001 per share, 63,000,000 shares authorized, 32,660,583 issued and outstanding and 27,173,421 issued and outstanding, respectively)	33	27
Paid-in capital	857,553	851,624
Accumulated deficit	(227,163)	(571,257)
Accumulated other comprehensive loss	—	(1,276)
Total stockholders' equity	<u>630,423</u>	<u>279,118</u>
Total liabilities and stockholders' equity	<u>\$ 2,421,203</u>	<u>\$ 2,066,220</u>

See Notes to Consolidated Financial Statements.

**BEAZER HOMES USA, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
(In thousands, except per share data)

	Fiscal Year Ended September 30,		
	2015	2014	2013
Total revenue	\$ 1,627,413	\$ 1,463,767	\$ 1,287,577
Home construction and land sales expenses	1,351,860	1,192,001	1,070,814
Inventory impairments and option contract abandonments	3,109	8,307	2,633
Gross profit	272,444	263,459	214,130
Commissions	65,023	58,028	52,922
General and administrative expenses	142,496	136,463	121,163
Depreciation and amortization	13,338	13,279	12,784
Operating income	51,587	55,689	27,261
Equity in income (loss) of unconsolidated entities	536	6,545	(113)
Loss on extinguishment of debt	(80)	(19,917)	(4,636)
Other expense, net	(30,013)	(49,191)	(58,165)
Income (loss) from continuing operations before income taxes	22,030	(6,874)	(35,653)
Benefit from income taxes	(324,569)	(41,797)	(3,489)
Income (loss) from continuing operations	346,599	34,923	(32,164)
Loss from discontinued operations, net of tax	(2,505)	(540)	(1,704)
Net income (loss)	\$ 344,094	\$ 34,383	\$ (33,868)
Weighted average number of shares:			
Basic	27,628	25,795	24,651
Diluted	31,772	31,795	24,651
Basic income (loss) per share:			
Continuing operations	\$ 12.54	\$ 1.35	\$ (1.30)
Discontinued operations	\$ (0.09)	\$ (0.02)	\$ (0.07)
Total	\$ 12.45	\$ 1.33	\$ (1.37)
Diluted income (loss) per share:			
Continuing operations	\$ 10.91	\$ 1.10	\$ (1.30)
Discontinued operations	\$ (0.08)	\$ (0.02)	\$ (0.07)
Total	\$ 10.83	\$ 1.08	\$ (1.37)
<b>Consolidated Statement of Comprehensive Income (Loss)</b>			
Net income (loss)	\$ 344,094	\$ 34,383	\$ (33,868)
Other comprehensive income (loss), net of income tax:			
Change in unrealized loss related to available-for-sale securities	1,276	(1,276)	—
Comprehensive income (loss)	\$ 345,370	\$ 33,107	\$ (33,868)

See Notes to Consolidated Financial Statements.

**BEAZER HOMES USA, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	Common Stock		Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at September 30, 2012	24,602	\$ 25	\$ 833,994	\$ (571,772)	\$ —	\$ 262,247
Net loss	—	—	—	(33,868)	—	(33,868)
Conversion of Mandatory Convertible Notes (debt to stock conversion)	566	—	9,402	—	—	9,402
Amortization of nonvested stock awards	—	—	2,858	—	—	2,858
Exercises of stock options	1	—	7	—	—	7
Tax deficiency from stock transactions	—	—	(36)	—	—	(36)
Shares issued under employee stock plans, net	83	—	68	—	—	68
Common stock issued	—	—	(7)	—	—	(7)
Common stock redeemed	(6)	—	(121)	—	—	(121)
Balance at September 30, 2013	25,246	\$ 25	\$ 846,165	\$ (605,640)	\$ —	\$ 240,550
Net income	—	—	—	34,383	—	34,383
Change in unrealized loss related to available-for-sale securities	—	—	—	—	(1,276)	(1,276)
Total comprehensive income	—	—	—	—	—	33,107
Conversion of TEU (debt to stock conversion)	1,368	2	2,482	—	—	2,484
Amortization of nonvested stock awards	—	—	2,587	—	—	2,587
Exercises of stock options	3	—	39	—	—	39
Tax excess from stock transactions	—	—	698	—	—	698
Shares issued under employee stock plans, net	596	—	103	—	—	103
Forfeiture of restricted stock	(16)	—	—	—	—	—
Common stock redeemed	(24)	—	(450)	—	—	(450)
Balance at September 30, 2014	27,173	\$ 27	\$ 851,624	\$ (571,257)	\$ (1,276)	\$ 279,118
Net income	—	—	—	344,094	—	344,094
Change in unrealized loss related to available-for-sale securities	—	—	—	—	1,276	1,276
Total comprehensive income	—	—	—	—	—	345,370
Conversion of TEU (debt to stock conversion)	5,222	5	(4)	—	—	1
Amortization of nonvested stock awards	—	—	6,135	—	—	6,135
Exercises of stock options	1	—	14	—	—	14
Shares issued under employee stock plans, net	410	—	—	—	—	—
Tax deficiency from stock transactions	—	—	(22)	—	—	(22)
Forfeiture of restricted stock	(135)	—	—	—	—	—
Common stock redeemed	(10)	—	(192)	—	—	(192)
Other activity	—	1	(2)	—	—	(1)
Balance at September 30, 2015	32,661	\$ 33	\$ 857,553	\$ (227,163)	\$ —	\$ 630,423

See Notes to Consolidated Financial Statements.

**BEAZER HOMES USA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Fiscal Year Ended September 30,		
	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	\$ 344,094	\$ 34,383	\$ (33,868)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	13,338	13,279	12,784
Stock-based compensation expense	6,135	2,587	2,858
Inventory impairments and option contract abandonments	3,109	8,307	2,650
Deferred and other income tax benefit	(326,360)	(12,590)	(421)
Change in allowance for doubtful accounts	(193)	(406)	(584)
Equity in loss (income) of unconsolidated entities and marketable securities	1,294	(6,545)	114
Cash distributions of income from unconsolidated entities	224	566	336
Loss on extinguishment of debt	—	2,670	4,636
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(17,757)	(11,681)	2,841
(Increase) decrease in income tax receivable	(373)	2,767	3,559
Increase in inventory	(121,700)	(230,138)	(186,349)
(Increase) decrease in other assets	(165)	1,292	1,906
Increase in trade accounts payable	7,302	22,437	14,532
Increase in other liabilities	10,260	13,002	413
Other changes	(257)	(399)	(49)
Net cash used in operating activities	<u>(81,049)</u>	<u>(160,469)</u>	<u>(174,642)</u>
Cash flows from investing activities:			
Capital expenditures	(15,964)	(14,553)	(10,761)
Investments in unconsolidated entities	(4,944)	(5,218)	(3,879)
Proceeds from sale of unconsolidated entities and marketable securities	24,245	1,703	510
Increases in restricted cash	(5,546)	(15,608)	(4,790)
Decreases in restricted cash	29,586	1,645	209,072
Net cash provided by (used in) investing activities	<u>27,377</u>	<u>(32,031)</u>	<u>190,152</u>
Cash flows from financing activities:			
Repayment of debt	(18,573)	(307,602)	(184,723)
Proceeds from issuance of new debt	—	325,000	397,082
Repayment of cash secured loans	—	—	(205,000)
Debt issuance costs	(126)	(5,490)	(5,548)
Borrowings from credit facility	75,000	—	—
Repayment of borrowings from credit facility	(75,000)	—	—
Settlement of unconsolidated entity debt obligation	—	—	(500)
Other changes	(200)	287	(157)
Net cash (used in) provided by financing activities	<u>(18,899)</u>	<u>12,195</u>	<u>1,154</u>
(Decrease) increase in cash and cash equivalents	<u>(72,571)</u>	<u>(180,305)</u>	<u>16,664</u>
Cash and cash equivalents at beginning of period	324,154	504,459	487,795
Cash and cash equivalents at end of period	<u>\$ 251,583</u>	<u>\$ 324,154</u>	<u>\$ 504,459</u>

See Notes to Consolidated Financial Statements.

**(1) Description of Business**

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

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

**Basis of Presentation and Consolidation.** These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and present the consolidated financial position, income, comprehensive income, stockholders' equity and cash flows of Beazer Homes USA, Inc. and its consolidated subsidiaries. Intercompany balances have been eliminated in consolidation.

Over the past few years, we have discontinued homebuilding operations in certain of our markets. Results from our title services business and certain exited markets are reported as discontinued operations in the accompanying consolidated statements of income for all periods presented (see Note 20 for a further discussion of our discontinued operations).

We evaluated events that occurred after the balance sheet date but before the financial statements were issued for accounting treatment and disclosure.

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

**Cash and Cash Equivalents and Restricted Cash.** We consider highly liquid investments with maturities of three months or less when acquired to be cash equivalents. As of September 30, 2015, the majority of our cash and cash equivalents were invested in high-quality money market mutual funds or highly marketable securities, or were on deposit with major banks. These assets were valued at par and had no withdrawal restrictions. The underlying investments of these funds were U.S. Government and U.S. Government Agency obligations or high-quality marketable securities. Restricted cash includes cash restricted by state law or a contractual requirement, including cash collateral for our cash secured loans and certain outstanding letters of credit. The cash inflows and outflows related to restricted cash are classified as investing activities in our consolidated statements of cash flows.

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

**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. Construction and land costs are comprised of direct and allocated costs, including estimated future costs for warranties and amenities. Land, land improvements and other common costs are typically allocated to individual residential lots on a pro-rata basis and the costs of residential lots are transferred to homes under construction when home construction begins. Land not owned under option agreements represents the value of land under option agreements with a variable interest entity (VIE) where the Company is deemed to be the primary beneficiary of the VIE. VIEs are entities in which (1) equity investors do not have a controlling financial interest and/or (2) the entity is unable to finance its activities without additional subordinated financial support from other parties. In addition, when our deposits and pre-acquisition development costs exceed certain thresholds, we record the remaining purchase price of the lots as consolidated inventory not owned and obligations related to consolidated inventory not owned on our consolidated balance sheets.

**Inventory Valuation - Projects in Progress.** Our homebuilding inventories that are accounted for as projects in progress (held for development) include land and home construction assets grouped together as communities. Homebuilding inventories held for development 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 not be recoverable. We assess these assets no less than quarterly for recoverability. Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct and close all the homes in a typical community. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the expected undiscounted cash flows generated are

expected to be less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

When conducting our community level review for the recoverability of our homebuilding inventories held for development, we establish a quarterly “watch list” of communities that carry profit margins in backlog or in our forecast that are below a minimum threshold of profitability, as well as recent closings that have gross margins less than a specified threshold. In our experience, this threshold represents a level of profitability that may be an indicator of conditions that would require an asset impairment but does not necessitate that such an impairment is warranted without additional analysis. Each community is first evaluated qualitatively to determine if there are temporary factors driving the low profitability levels. Following our qualitative evaluation, communities with more than 10 homes remaining to close on the quarterly watch list are subjected to substantial additional financial and operational analyses and review that consider the competitive environment and other factors contributing to profit margins below our watch list threshold. For communities where the current competitive and market dynamics indicate that these factors may be other than temporary, which may call into question the recoverability of our investment, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analyses and a quantitative analysis reflecting market and asset specific information.

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

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

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

If the aggregate undiscounted cash flows from our quantitative analyses are in excess of the carrying value, the asset is considered to be recoverable and is not impaired. If the aggregate undiscounted cash flows are less than the carrying or book value, we perform a discounted cash flow analysis to determine the fair value of the community. The fair value of the community is estimated using the present value of the estimated future cash flows using discount rates commensurate with the risk associated with the underlying community assets. The discount rate used may be different for each community. The factors considered when determining an appropriate discount rate for a community include, among others: (1) community specific factors such as the number of lots in the community, the status of land development in the community and the competitive factors influencing the sales performance of the community and (2) overall market factors such as employment levels, consumer confidence and the existing supply of new and used homes for sale. If the determined fair value is less than the carrying value of the specific asset, the asset is considered not recoverable and is written down to its fair value plus the asset's share of capitalized unallocated interest and other costs. The carrying value of assets in communities that were previously impaired and continue to be classified as projects in progress is not increased for future estimates of increases in fair value in future reporting periods.

**Asset Valuation - Land Held for Future Development.** For those communities that have been idled (land held for future development), all applicable interest and real estate taxes are expensed as incurred and the inventory is stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. The future enactment of a development plan or the occurrence of outside events and circumstances may indicate that the carrying amount of an asset may not be recoverable.



We evaluate the potential plans of each community in land held for future development if changes in facts and circumstances occur that would give rise to a more detailed analysis for a change in the status of a community.

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

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

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

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

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

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

If we are the primary beneficiary of the VIE, we will consolidate the VIE even though creditors of the VIE have no recourse against the Company. For those we consolidate, we record the remaining contractual purchase price under the applicable lot option agreement, net of cash deposits already paid, to land not owned under option agreements with an offsetting increase to obligations related to land not owned under option agreements on our consolidated balance sheets. Also, to reflect the total purchase price of this inventory on a consolidated basis, we present the related option deposits as land not owned under option agreement. Consolidation of these VIEs has no impact on the Company's statements of income or cash flows.

**Investments in Unconsolidated Entities and Marketable Securities.** We participate in a number of joint ventures and other investments in which we have less than a controlling interest. We enter into the majority of these investments with land developers, other homebuilders and financial partners to acquire attractive land positions, to manage our risk profile and to leverage our capital base. The land positions are developed into finished lots for sale to the unconsolidated entity's members or other third parties. We recognize our share of equity in income (loss) and profits (losses) from the sale of lots to other buyers. Our share of profits from lots we purchase from the unconsolidated entities is deferred and treated as a reduction of the cost of the land purchased from the unconsolidated entity. Such profits are subsequently recognized at the time the home closes and title passes to the homebuyer. We

evaluate our investments in unconsolidated entities for impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in the value of our investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying value over its estimated fair value. Our unconsolidated entities typically obtain secured acquisition and development financing. We account for our interest in unconsolidated entities under the equity method. For additional discussion of these entities, refer to Note 4.

In prior periods, we had an investment in American Homes 4 Rent (AMH), a marketable investment that we treated as an available-for-sale security. All available-for-sale securities are recorded at fair value, with changes in fair value being recorded as a component of accumulated other comprehensive income (AOCI). When the security is sold, we use specific identification to determine the cost of the security sold for the amount reclassified out of AOCI. We evaluate our investments in marketable securities, if outstanding, for impairment each reporting period. In doing so, we consider the length of time and extent to which the marketable value of the investment has been less than cost, either or both of which may lead to a conclusion that the security is other than temporarily impaired.

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

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

**Other Assets.** Other assets principally include prepaid expenses, debt issuance costs and assets related to our deferred compensation plan (refer to Note 15 for a discussion of our deferred compensation plan).

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

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

For a discussion of our evaluation of and accounting for valuation allowances, refer to Note 13.

**Revenue Recognition and Classification of Costs.** Revenue and related profit are recognized at the time of the closing of a sale, when title to and possession of the property, as well as risk of loss, are transferred to the buyer.

Sales discounts and incentives include items such as cash discounts, discounts on options included in the home, option upgrades (such as upgrades for cabinetry, countertops and flooring) and seller-paid financing or closing costs. In addition, from time-to-time, we may also provide homebuyers with retail gift certificates and/or other nominal retail merchandise. All sales incentives other than cash discounts are recognized as a cost of selling the home and are included in home construction and land sales expenses. Cash discounts are accounted for as a reduction in the sales price of the home.

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 0.3% to 2.6% 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 9 for a more detailed discussion of warranty costs and related reserves.

Advertising costs related to our continuing operations of \$18.0 million, \$17.8 million and \$14.2 million for fiscal years 2015, 2014 and 2013, respectively, were expensed as incurred and were included in general and administrative expenses.

**Fair Value Measurements.** Certain of our assets are required to be recorded at fair value on a recurring basis. The fair value of our available-for-sale marketable equity securities, when outstanding, were based on readily available share prices (level 1). The fair value of our deferred compensation plan assets are based on market-corroborated inputs (level 2). Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recovered (level 3). We review our long-lived assets, including inventory, for recoverability when factors indicate an impairment may exist, but no less than quarterly. Fair value is based on estimated cash flows discounted for market risks associated with the long-lived assets. The fair value of certain of our financial instruments approximate their carrying amounts due to the short maturity of these assets and liabilities or the variable interest rates on such obligations. The fair value of our publicly-held debt is generally estimated based on quoted bid prices for these instruments (level 2). Certain of our other financial instruments are estimated by discounting scheduled cash flows through maturity or using market rates currently being offered on loans with similar terms and credit quality. See Note 10 for additional discussion of our fair value measurements.

**Stock-Based Compensation.** We use the Black-Scholes model to value our stock option grants. Other stock-based awards with only performance conditions granted to employees are valued based on the market price of the common stock on the date of the grant. Stock-based awards granted to employees with market conditions are valued using the Monte Carlo valuation method. Any portion of our stock-based awards that can be settled in cash is initially valued based on the market price of the underlying common stock on the date of the grant and is adjusted to fair value until vested and recorded as a liability on our consolidated balance sheets. On the date of grant, we estimate forfeitures in calculating the expense related to stock-based compensation. In addition, we reflect the benefits of tax deductions in excess of recognized compensation cost as a financing cash inflow and an operating cash outflow. Compensation cost arising from all stock-based compensation awards is recognized as expense using the straight-line method over the vesting period. See Note 16 for additional discussion of our stock-based compensation.

### Recent Accounting Pronouncements

*Revenue from Contracts with Customers.* In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 requires companies to recognize revenue at an amount that the entity expects to be entitled to upon transferring control of goods or services to a customer, as opposed to when risks and rewards transfer to a customer under the existing revenue recognition guidance. In August 2015, the FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 for one year, which makes the guidance effective for the Company's first fiscal year beginning after December 15, 2017. Additionally, the FASB also is permitting entities to early adopt the standard, which allows for either full retrospective or modified retrospective methods of adoption, for reporting periods beginning after December 15, 2016. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements.

*Presentation of Debt Issuance Costs.* In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires debt issuance costs to be presented on the balance sheet as a direct deduction from the related debt liability, similar to the presentation of debt discounts or premiums. The costs will continue to be amortized to interest expense. ASU 2015-03 requires retrospective application to all prior periods presented in the financial statements. Upon transition, an entity is required to comply with the applicable disclosures for a change in accounting principle. The guidance within ASU 2015-03 will be effective for the Company's first fiscal year beginning after December 15, 2015, but we have the option of adopting the new requirements as of an earlier date. We only expect our balance sheet presentation of debt issuance costs to change as a result of adoption of this guidance.

Refer to Note 13 for a discussion of our adoption of ASU 2013-11 pertaining to the presentation of an unrecognized tax benefit when a net operating loss carryforward, or similar tax loss, or a tax credit carryforward exists.

### (3) Supplemental Cash Flow Information

The following table presents supplemental disclosure of non-cash and cash activity for the periods presented:

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
<b>Supplemental disclosure of non-cash activity:</b>			
Decrease in obligations related to land not owned under option agreements	\$ (2,916)	\$ (1,717)	\$ (154)
Decrease in debt related to conversion of Mandatory Convertible Subordinated Notes and Tangible Equity Units for common stock	—	(2,376)	(9,402)
Sale of interest in REIT for shares of AMH	—	26,040	—
Purchase of AMH shares in exchange for interest in REIT	—	(26,040)	—
Non-cash land acquisitions <sup>(a)</sup>	12,904	20,274	11,000
Issuance of stock under deferred bonus stock plans	—	103	68
Non-cash capital expenditure	674	—	—
<b>Supplemental disclosure of cash activity:</b>			
Interest payments	117,177	117,501	102,716
Income tax payments	942	212	403
Tax refunds received	—	33,271	6,730

<sup>(a)</sup> For the fiscal year ended September 30, 2015, non-cash land acquisitions are comprised of \$7.8 million related to non-cash seller financing and \$5.1 million in lot takedowns from one of our unconsolidated land development joint ventures.

### (4) Investments in Marketable Securities and Unconsolidated Entities

#### Marketable Securities

During the fourth quarter of fiscal 2014, the Company acquired shares of American Homes 4 Rent (AMH) in exchange for the Company's interest in a real estate investment trust (REIT). The shares represented marketable equity securities with a readily available fair value and were classified as available-for-sale securities. In March 2015, the Company sold the shares and recorded a loss of \$1.8 million (approximately \$0.5 million of which was attributable to fair value changes in fiscal 2015) that was recorded within other expense, net in our consolidated statements of income. Changes in value prior to the second quarter of fiscal 2015 were recorded to other comprehensive loss, and then transferred to other expense, net upon sale. The proceeds received on the sale of the shares of AMH were recorded within investing activities in our consolidated statements of cash flows.

#### Unconsolidated Entities

As of September 30, 2015, we participated in certain land development joint ventures and other unconsolidated entities in which Beazer had less than a controlling interest. The following table presents our investment in these unconsolidated entities, as well as the total equity and outstanding borrowings of these unconsolidated entities as of September 30, 2015 and September 30, 2014:

(In thousands)	September 30, 2015	September 30, 2014
Beazer's investment in unconsolidated entities	\$ 13,734	\$ 13,576
Total equity of unconsolidated entities	52,118	59,336
Total outstanding borrowings of unconsolidated entities	12,206	11,254

Our income from unconsolidated entity activities, the impairments of our investments in certain of our unconsolidated entities and the overall equity in income (loss) of unconsolidated entities is as follows for the periods presented:

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Income from unconsolidated entity activity	\$ 536	\$ 6,545	\$ 68
Impairment of unconsolidated entity investment	—	—	(181)
Total equity in income (loss) of unconsolidated entities	\$ 536	\$ 6,545	\$ (113)

*South Edge/Inspirada.* During the fiscal year ended September 30, 2014, we and the other members of the Inspirada joint venture (Inspirada) received land in exchange for our investments in Inspirada. The change in total equity of unconsolidated entities above reflects these distributions. We paid \$3.3 million and \$1.0 million, respectively, to the joint venture for infrastructure and development costs during our fiscal 2015 and 2014. Our remaining obligation for our portion of future infrastructure and other development costs as of September 30, 2015 was \$1.9 million.

*Guarantees.* Our land development joint ventures typically obtain secured acquisition, development and construction financing. Historically, Beazer and our land development joint venture partners have provided varying levels of guarantees of debt and other debt-related obligations for these unconsolidated entities. However, as of September 30, 2015 and September 30, 2014, we had no outstanding guarantees or other debt-related obligations related to our investments in unconsolidated entities.

We and our joint venture partners generally provide unsecured environmental indemnities to land development joint venture project lenders. In each case, we have performed due diligence on potential environmental risks. These indemnities obligate us to reimburse the project lenders for claims related to environmental matters for which they are held responsible. During the fiscal years ended September 30, 2015 and 2014, we were not required to make any payments related to environmental indemnities.

In assessing the need to record a liability for the contingent aspect of these guarantees, we consider our historical experience in being required to perform under the guarantees, the fair value of the collateral underlying these guarantees and the financial condition of the applicable unconsolidated entities. In addition, we monitor the fair value of the collateral of these unconsolidated entities to ensure that the related borrowings do not exceed the specified percentage of the value of the property securing the borrowings. We have not recorded a liability for the contingent aspects of any guarantees that we determined were reasonably possible but not probable.

## (5) Inventory

The components of our owned inventory are as follows as of September 30, 2015 and September 30, 2014:

(In thousands)	September 30, 2015	September 30, 2014
Homes under construction	\$ 377,281	\$ 282,095
Development projects in progress	809,900	786,768
Land held for future development	270,990	301,048
Land held for sale	44,555	51,672
Capitalized interest	123,457	87,619
Model homes	71,407	48,294
Total owned inventory	<u>\$ 1,697,590</u>	<u>\$ 1,557,496</u>

Homes under construction includes homes substantially finished and ready for delivery and homes in various stages of construction. We had 128 (with a cost of \$40.1 million) and 205 (with a cost of \$48.0 million) substantially completed homes that were not subject to a sales contract (spec homes) as of September 30, 2015 and 2014, 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 customer deposit or sales contract. Land held for future development consists of communities for which construction and development activities are expected to occur in the future or have been idled and are stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. All applicable interest and real estate taxes on land held for future development are expensed as incurred. Land held for sale is recorded at the lower of the asset's carrying value or fair value less costs to sell. The amount of interest we are able to capitalize is dependent upon our qualified inventory balance, which considers the status of our inventory holdings. Our qualified inventory balance includes the majority of our homes under construction and development projects in progress, but excludes land held for future development and land held for sale (refer to Note 6 for additional information on capitalized interest).

Total owned inventory, by reportable segment, is presented in the table below as of September 30, 2015 and September 30, 2014:

(In thousands)	Projects in Progress <sup>(a)</sup>	Land Held for Future Development	Land Held for Sale	Total Owned Inventory
<b>September 30, 2015</b>				
<b>West Segment</b>	\$ 583,210	\$ 230,778	\$ 6,941	\$ 820,929
<b>East Segment</b>	353,054	29,280	30,927	413,261
<b>Southeast Segment</b>	277,351	10,932	5,587	293,870
<b>Corporate and unallocated</b>	168,430 <sup>(b)</sup>	—	1,100	169,530
<b>Total</b>	<u>\$ 1,382,045</u>	<u>\$ 270,990</u>	<u>\$ 44,555</u>	<u>\$ 1,697,590</u>
<b>September 30, 2014</b>				
West Segment	\$ 462,508	\$ 260,898	\$ 10,026	\$ 733,432
East Segment	353,859	29,239	34,530	417,628
Southeast Segment	264,843	10,911	4,821	280,575
Corporate and unallocated	123,566 <sup>(b)</sup>	—	2,295	125,861
<b>Total</b>	<u>\$ 1,204,776</u>	<u>\$ 301,048</u>	<u>\$ 51,672</u>	<u>\$ 1,557,496</u>

<sup>(a)</sup> Projects in progress include homes under construction, development projects in progress, capitalized interest and model home categories from the preceding table.

<sup>(b)</sup> Includes capitalized interest and indirect costs that are maintained within Corporate and unallocated.

**Inventory Impairments.** When conducting our community level review for the recoverability of our inventory related to projects in progress, we establish a quarterly “watch list” of communities that carry profit margins in backlog and in our forecast that are below a minimum threshold of profitability, as well as recent closings that have gross margins less than a specific threshold. Each community is first evaluated qualitatively to determine if there are temporary factors driving the low profitability levels. Following our qualitative evaluation, communities with more than 10 homes remaining to close are subjected to substantial additional financial and operational analyses and review that consider the competitive environment and other factors contributing to profit margins below our watch list threshold. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. For certain communities, we determined that it was prudent to reduce sales prices or further increase sales incentives in response to a variety of factors, including competitive market conditions in those specific submarkets for the product and locations of these communities. For communities where the current competitive and market dynamics indicate that these factors may be other than temporary, which may call into question the recoverability of our investment, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analyses and a quantitative analysis reflecting market and asset specific information. Market deterioration that exceeds our initial estimates may lead us to incur impairment charges on previously impaired homebuilding assets in addition to homebuilding assets not currently impaired but for which indicators of impairment may arise if markets deteriorate.

For the year ended September 30, 2015, there were no communities on our watch list that required further impairment analysis to be performed after considering the number of lots remaining in each community and certain other qualitative factors. However, certain communities required further review during our fiscal 2014 and 2013. In our undiscounted cash flow impairment analyses for the year ended September 30, 2014, we did not assume any market improvements.

The following table summarizes the number of communities on our watch list (excluding certain communities exempted due to qualitative factors) and the results, by reportable segment, of our community level review of the recoverability of our inventory assets related to projects in progress as of September 30, 2014 and 2013 that required at a minimum an undiscounted cash flow analysis to be performed:

(\$ in thousands)

Segment <sup>(a)</sup>	Number of Communities on Watch List	Undiscounted Cash Flow Analyses Prepared			
		Number of Communities		Pre-analysis Book Value (BV)	Aggregate Undiscounted Cash Flow as a % of BV <sup>(c)</sup>
<i>Year Ended September 30, 2014</i>					
West	5	3	\$	25,191	90.9%
East <sup>(b)</sup>	1	—		—	—%
Southeast	2	1		7,479	120.2%
Corporate and unallocated <sup>(d)</sup>	—	—		2,558	100.0%
Total	8	4	\$	35,228	97.8%
<i>Year Ended September 30, 2013</i>					
West	1	1	\$	11,080	117.6%
East	3	3		9,588	107.0%
Southeast	1	1		5,257	128.6%
Corporate and unallocated <sup>(d)</sup>	—	—		1,755	100.0%
Total	5	5	\$	27,680	114.9%

<sup>(a)</sup> We have elected to aggregate our disclosure at the reportable segment level because we believe this level of disclosure is most meaningful to the readers of our financial statements.

<sup>(b)</sup> During the year ended September 30, 2014, we recorded an impairment charge of \$0.1 million in our East segment on a single community. The community had less than 10 lots remaining to close at the time of the analysis and therefore, consistent with our policy, we did not prepare an undiscounted or discounted cash flow analysis related to this community. However, the community is shown here to list all communities for which an impairment was eventually recorded.

<sup>(c)</sup> An aggregate undiscounted cash flow as a percentage of book value under 100% would indicate a possible impairment and is consistent with our "watch list" methodology. Accordingly, a discounted cash flow analysis was performed in fiscal 2014 on certain communities in our West segment, evidenced by this metric being below 100%.

<sup>(d)</sup> Amount represents capitalized interest balance related to communities for which an undiscounted cash flow analysis was prepared. Capitalized interest is maintained within our Corporate and unallocated segment.

The discount rate in our discounted cash flow analyses may be different for each community and ranged from 13.0% to 15.0% for the communities analyzed in our fiscal year ended September 30, 2014. The projected cash flows used to evaluate the fair value of inventory are significantly impacted by changes in market conditions, including the changes in sales prices and absorption estimates and management's assumptions relative to future results. Impairment charges in two communities during the fiscal year ended September 30, 2014 were taken as a result of these discounted cash flow analyses.

The table below summarizes the results of our discounted cash flow analysis for our fiscal 2014 (the only year that such an analysis was required) that resulted in impairments on two communities. There were no impairments recorded during the fiscal years ended September 30, 2015 or September 30, 2013 related to our impairment analyses.

(\$ in thousands)

Segment	Results of Discounted Cash Flow Analyses Prepared					
	# of Communities Impaired	# of Lots Impaired	Impairment Charge	Estimated Fair Value of Impaired Inventory at Period End		
<i>Year Ended September 30, 2014</i>						
West	2	180	\$	4,948	\$	14,379
Corporate and unallocated <sup>(a)</sup>	—	—		373		—
Total	2	180	\$	5,321	\$	14,379

<sup>(a)</sup> Amount represents capitalized interest balance related to communities for which an discounted cash flow analysis was prepared. Capitalized interest is maintained within our Corporate and unallocated segment.

Impairments on land held for sale generally represent write downs of these properties to net realizable value, less estimated costs to sell, and are based on current market conditions and our review of recent comparable transactions. Our assumptions about land sales prices require significant judgment because the real estate market is highly sensitive to changes in economic conditions. We calculated the estimated fair values of land held for sale based on current market conditions and assumptions made by management, which may differ materially from actual results and may result in additional impairments if market conditions deteriorate.

From time-to-time, we also determine that the proper course of action with respect to a community is to not exercise an option and to write-off the deposit securing the option takedown and the related pre-acquisition costs, as applicable. In determining whether to abandon lots or lot option contracts, our evaluation is primarily based upon the expected cash flows from the property. If we intend to abandon or walk away from the property, we record a charge to earnings in the period such decision is made for the deposit amount and any related capitalized costs. Abandonment charges generally relate to our decision to abandon lots or not exercise certain option contracts that are not projected to produce adequate results or no longer fit with our long-term strategic plan.

The following table presents, by reportable segment, our projects in progress impairments, land held for sale impairments and lot option abandonment charges for the periods presented:

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
<b>Projects in Progress:</b>			
West	\$ —	\$ 4,948	\$ 46
East	—	100	13
Corporate and unallocated	—	373	—
Total impairment charges on projects in progress	\$ —	\$ 5,421	\$ 59
<b>Land Held for Sale:</b>			
West	\$ —	\$ —	\$ 228
East	1,433	232	123
Southeast	—	28	1,778
Total impairment charges on land held for sale	\$ 1,433	\$ 260	\$ 2,129
<b>Lot Option Abandonments:</b>			
West	\$ —	\$ —	\$ 104
East	1,676	131	20
Southeast	—	2,495	321
Total lot option abandonments charges	\$ 1,676	\$ 2,626	\$ 445
Total continuing operations	\$ 3,109	\$ 8,307	\$ 2,633
Discontinued Operations	—	—	17
Total company impairment and lot option abandonment charges	\$ 3,109	\$ 8,307	\$ 2,650

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



The following table provides a summary of our interests in lot option agreements as of September 30, 2015 and September 30, 2014:

(In thousands)	Deposits & Non-refundable Preacquisition Costs Incurred	Remaining Obligation	Land Not Owned - Under Option Agreements
<b>As of September 30, 2015</b>			
<b>Unconsolidated lot option agreements</b>	<b>\$ 51,475</b>	<b>\$ 420,070</b>	<b>N/A<sup>(a)</sup></b>
<b>Total lot option agreements</b>	<b>\$ 51,475</b>	<b>\$ 420,070</b>	<b>\$ —</b>
<b>As of September 30, 2014</b>			
Consolidated VIEs	\$ 941	\$ 2,916	\$ 3,857
Unconsolidated lot option agreements	42,588	417,618	N/A <sup>(a)</sup>
<b>Total lot option agreements</b>	<b>\$ 43,529</b>	<b>\$ 420,534</b>	<b>\$ 3,857</b>

<sup>(a)</sup> N/A - Not applicable

## (6) Interest

Our ability to capitalize interest incurred during the fiscal years ended September 30, 2015, 2014 and 2013 was limited by our inventory eligible for capitalization. The following table presents certain information regarding interest for the periods presented:

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Capitalized interest in inventory, beginning of period	\$ 87,619	\$ 52,562	\$ 38,190
Interest incurred	121,754	126,906	115,076
Capitalized interest impaired	—	(245)	—
Interest expense not qualified for capitalization and included as other expense <sup>(a)</sup>	(29,752)	(50,784)	(59,458)
Capitalized interest amortized to house construction and land sales expenses <sup>(b)</sup>	(56,164)	(40,820)	(41,246)
Capitalized interest in inventory, end of period	<b>\$ 123,457</b>	<b>\$ 87,619</b>	<b>\$ 52,562</b>

<sup>(a)</sup> The amount of interest we are able to capitalize is dependent upon our qualified inventory balance, which considers the status of our inventory holdings. Our qualified inventory balance includes the majority of our homes under construction and development projects in progress, but excludes land held for future development and land held for sale.

<sup>(b)</sup> Capitalized interest amortized to house construction and land sale expenses varies based on the number of homes closed during the period and land sales, if any, as well as other factors.

## (7) Property and Equipment

The following table presents our property and equipment as of September 30, 2015 and September 30, 2014:

(In thousands)	September 30, 2015	September 30, 2014
Buildings and improvements	\$ 2,329	\$ 2,329
Model furnishings and sales office improvements	25,111	25,334
Leasehold improvements	5,022	4,197
Information systems	14,290	17,554
Furniture, fixtures and office equipment	11,864	9,999
Property and equipment, gross	58,616	59,413
Less: Accumulated Depreciation	(36,386)	(40,740)
Property and equipment, net	<b>\$ 22,230</b>	<b>\$ 18,673</b>

## (8) Borrowings

As of September 30, 2015 and September 30, 2014, we had the following debt, net of discounts:

(In thousands)	Maturity Date	September 30, 2015	September 30, 2014
8 1/8% Senior Notes	June 2016	\$ 170,879	\$ 172,879
6 5/8% Senior Secured Notes	April 2018	300,000	300,000
9 1/8% Senior Notes	May 2019	235,000	235,000
5 3/4% Senior Notes	June 2019	325,000	325,000
7 1/2% Senior Notes	September 2021	200,000	200,000
7 1/4% Senior Notes	February 2023	200,000	200,000
TEU Senior Amortizing Notes	July 2015	—	6,703
Unamortized debt discounts		(3,639)	(4,399)
Total Senior Notes, net		1,427,240	1,435,183
Junior Subordinated Notes	July 2036	57,803	55,737
Cash Secured Loans	November 2017	22,368	22,368
Other Secured Notes Payable	Various Dates	20,864	22,145
Total debt, net		\$ 1,528,275	\$ 1,535,433

As of September 30, 2015, the future maturities of our borrowings were as follows:

Fiscal Year Ended September 30,	(In thousands)
2016	\$ 178,550
2017	7,180
2018	322,449
2019	565,932
2020	—
Thereafter	500,773
Total	\$ 1,574,884

**Secured Revolving Credit Facility** — Our \$130 million Secured Revolving Credit Facility (the Facility) provides us with working capital and letter of credit capacity. On November 10, 2014, we executed an amendment with three lenders, which included extending the maturity of the Facility through September 2016. A fourth lender with a \$20 million commitment chose not to extend their obligation, which matured in September 2015. The Facility allows us to issue letters of credit against the undrawn capacity. Subject to our option to cash collateralize our obligations under the Facility upon certain conditions, our obligations under the Facility are secured by liens on substantially all of our personal property and a significant portion of our owned real properties. We have also pledged approximately \$1 billion of inventory assets to the Facility to collateralize potential future borrowings or letters of credit. As of September 30, 2015, we had no borrowings outstanding and \$28.7 million letters of credit outstanding under the Facility, leaving us with \$101.3 million in remaining capacity. As of September 30, 2014, there were no outstanding borrowings under the Facility. The Facility contains certain covenants, including negative covenants and financial maintenance covenants, with which we are required to comply. As of September 30, 2015, we were in compliance with all such covenants.

Subsequent to September 30, 2015, we executed a second amendment to the Facility (the Second Amendment). The Second Amendment, among other things, extends the termination date of the Facility to January 15, 2018 and increases its capacity from \$130.0 million to \$145.0 million. For a further discussion of the Second Amendment, refer to Note 22.

**Letter of Credit Facilities** — We have entered into stand-alone, cash-secured letter of credit agreements with banks to maintain our pre-existing letters of credit and to provide for the issuance of new letters of credit (in addition to the letters of credit issued under the Facility). As of September 30, 2015 and September 30, 2014, we had letters of credit outstanding under these additional facilities of \$14.4 million and \$39.1 million, respectively, all of which were secured by cash collateral in restricted accounts. The Company may enter into additional arrangements to provide additional letter of credit capacity.

**Senior Notes** — The majority of our senior notes are unsecured or secured obligations ranking pari passu with all other existing and future senior indebtedness. Substantially all of our significant subsidiaries are full and unconditional guarantors of the Senior Notes and were jointly and severally liable for obligations under the Senior Notes and the Facility. Each guarantor subsidiary is a 100% owned subsidiary of Beazer Homes.

The Company's Senior Notes are issued under indentures that contain certain restrictive covenants which, among other things, restrict our ability to pay dividends, repurchase our common stock, incur additional indebtedness and to make certain investments. Specifically, all of our Senior Notes contain covenants that restrict our ability to incur additional indebtedness unless it is refinancing indebtedness or non-recourse indebtedness. The incurrence of refinancing indebtedness and non-recourse indebtedness, as defined in the applicable indentures, is exempted from the covenant test. Compliance with our Senior Note covenants does not significantly impact our operations. We were in compliance with the covenants contained in the indentures of all of our Senior Notes as of September 30, 2015.

Our Senior Notes due 2016 (the 2016 Notes) contain the most restrictive covenants, including the consolidated tangible net worth covenant, which states that should our consolidated tangible net worth fall below \$85 million for two consecutive quarters, the Company is required to make an offer to purchase 10% of the aggregate principal of the original 2016 Notes. If triggered and fully subscribed, this could result in our having to purchase \$27.5 million of the 2016 Notes, which may be reduced by certain 2016 Note repurchases (potentially at less than par) made in the open market after the triggering date. As of September 30, 2015, our consolidated tangible net worth was \$612.5 million, well in excess of the minimum covenant requirement. In September 2015, we paid down \$2.0 million of the 2016 Notes, leaving us \$170.9 million in remaining liability. This early payment resulted in a loss on extinguishment of debt of \$0.1 million.

In April 2014, we issued and sold \$325.0 million aggregate principal amount of 5.75% Senior Notes due June 2019 (the June 2019 Notes) at par (before underwriting and other issuance costs) through a private placement to qualified institutional buyers. Interest on the June 2019 Notes is payable semi-annually in arrears, beginning on December 15, 2014. The June 2019 Notes will mature on June 15, 2019. Prior to maturity, we may, at our option, redeem the June 2019 Notes at any time, in whole or in part, at specified redemption prices, which also include a customary make-whole premium provision through March 15, 2019. In July 2014, we exchanged all of the June 2019 Notes for notes that are freely transferable and registered under the Securities Act of 1933.

The June 2019 Notes were issued on April 8, 2014 under an indenture (June 2019 Indenture) that contains covenants which, subject to certain exceptions, limit the ability of the Company and its restricted subsidiaries (as defined in the June 2019 Indenture) to, among other things, incur additional indebtedness, including secured indebtedness, and make certain types of restricted payments. The June 2019 Indenture contains customary events of default. Upon the occurrence of an event of default, payments on the June 2019 Notes may be accelerated and become immediately due and payable. Upon a change of control (as defined in the June 2019 Indenture), the June 2019 Indenture requires us to make an offer to repurchase the June 2019 Notes at 101% of their principal amount, plus accrued and unpaid interest.

We may redeem the June 2019 Notes at any time prior to March 15, 2019, in whole or in part, at a redemption price equal to 100% of the principal amount, plus a customary make-whole premium and accrued and unpaid interest to, but excluding, the redemption date. In addition, at any time on or prior to June 15, 2017, we may redeem up to 35% of the aggregate principal amount of the June 2019 Notes with the proceeds of certain equity offerings at a redemption price equal to 105.75% of the principal amount of the June 2019 Notes plus accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption, provided that at least 65% of the aggregate principal amount of the June 2019 Notes originally issued under the June 2019 Indenture remain outstanding after such redemption. On or after March 15, 2019, we may redeem some or all of the June 2019 Notes at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The proceeds from the June 2019 Notes were used to redeem all of our remaining outstanding 9.125% Senior Notes due June 2018 (the June 2018 Notes), including the \$17.2 million make-whole premium. We recognized a loss on debt extinguishment of the June 2018 Notes of \$19.8 million in the quarter ended June 30, 2014 related to the premiums paid and the write-off of unamortized debt issuance costs. The June 2018 Notes redeemed by the Company were canceled.

During our fiscal year ended September 30, 2013, we used a portion of the net cash proceeds from the February 2013 issuance of our \$200 million aggregate principal amount of 7.25% Senior Notes due 2023 to redeem all of our then outstanding 6.875% Senior Notes due 2015. During our fiscal 2013, we also repurchased \$2 million of our then outstanding June 2018 Notes in open market transactions. These transactions resulted in a loss on debt extinguishment of \$3.6 million, net of unamortized discounts and debt issuance costs. All Senior Notes redeemed/repurchased by the Company were canceled.

All unsecured Senior Notes rank equally in right of payment with all of our existing and future senior unsecured obligations, senior to all of the Company's existing and future subordinated indebtedness and effectively subordinated to the Company's existing and future secured indebtedness, including indebtedness under the Facility and our 6.625% Senior Secured Notes due 2018, to the

extent of the value of the assets securing such indebtedness. The unsecured Senior Notes and related guarantees are structurally subordinated to all indebtedness and other liabilities of all of the Company's subsidiaries that do not guarantee these notes. The unsecured Senior Notes are fully and unconditionally guaranteed jointly and severally on a senior basis by the Company's wholly-owned subsidiaries party to each applicable Indenture.

The table below summarizes the redemption terms for the Senior Notes issued prior to our fiscal 2014:

Senior Note Description	Issuance Date	Maturity Date	Redemption Terms
8 1/8% Senior Notes	June 2006	June 2016	Callable at any time, in whole or in part, based on a customary make-whole premium amount
6 5/8% Senior Secured Notes	July 2012	April 2018	Callable at any time after July 15, 2015, in whole or in part, at a redemption price equal to 103.313% of the principal amount; next call date is July 15, 2016, callable at a redemption price equal to 101.656% of the principal amount
9 1/8% Senior Notes	November 2010	May 2019	Callable at any time after November 15, 2014, in whole or in part, at a redemption price equal to 104.563% of the principal amount; next call date is November 15, 2015, callable at a redemption price equal to 102.281% of the principal amount
7 1/2% Senior Notes	February 2013	September 2021	Callable at any time prior to September 15, 2016, in whole or in part, at a redemption price equal to 100% of the principal amount, plus a customary make-whole premium; after September 15, 2016, callable at a redemption price equal to 105.625% of the principal amount; the second call date is September 15, 2017, callable at a redemption price equal to 103.75% of the principal amount; the final call date is September 15, 2018, callable at a redemption price equal to 101.875% of the principal amount
7 1/4% Senior Notes	September 2013	February 2023	Callable at any time prior to February 1, 2018, in whole or in part, at a redemption price equal to 100% of the principal amount, plus a customary make-whole premium; after February 1, 2018, callable at a redemption price equal to 103.625% of the principal amount; the second call date is February 1, 2019, callable at a redemption price equal to 102.41% of the principal amount; the final call date is February 1, 2020, callable at a redemption price equal to 101.208% of the principal amount

**Senior Notes: Tangible Equity Units (TEUs)** — In July 2012, we issued 4.6 million 7.5% TEUs (the 2012 TEUs), which were comprised of prepaid stock purchase contracts (PSPs) and senior amortizing notes. As the two components of the TEUs were legally separate and detachable, we accounted for the two components as separate items for financial reporting purposes and valued them based on their relative fair value at the date of issuance. The amortizing notes were unsecured senior obligations and ranked equally with all of our other unsecured indebtedness. Outstanding notes required quarterly payments of principal and interest through maturity in July 2015. The PSPs were originally accounted for as equity (additional paid-in capital) at the initial fair value of these contracts based on the relative fair value method. During the fiscal year ended September 30, 2014, we exchanged 890,000 TEUs, including approximately \$2.4 million of amortizing notes, for Beazer Homes' common stock. The remaining PSPs related to the 2012 TEUs were settled in Beazer Homes' common stock during fiscal 2015, particularly in July 2015 when approximately 5.2 million shares of common stock were issued to instrument holders. See Note 17 for more information related to this exchange.

**Junior Subordinated Notes** — Our unsecured junior subordinated notes (Junior Subordinated Notes) in the amount of \$103.1 million mature on July 30, 2036. The Junior Subordinated Notes are redeemable at par and pay interest at a fixed rate of 7.987% for the first ten years ending July 30, 2016. Thereafter, the securities have a floating interest rate as defined in the Junior Subordinated Notes Indenture. The obligations relating to these notes are subordinated to the Facility and the Senior Notes. In January 2010, we modified the terms of \$75.0 million of these notes and recorded them at their estimated fair value. Over the remaining life of the Junior Subordinated Notes, we will increase their carrying value until this carrying value equals the face value of the notes. As of September 30, 2015, the unamortized accretion was \$43.0 million and will be amortized over the remaining life of the notes. As of September 30, 2015, we were in compliance with all covenants under our Junior Subordinated Notes.

**Cash Secured Loans** — We have two separate cash secured loan facilities with \$22.4 million outstanding as of September 30, 2015. Borrowings under the cash secured loan facilities will replenish cash used to repay or repurchase the Company's debt and would be considered "refinancing indebtedness" under certain of the Company's existing indentures and debt covenants. However, because the loans are fully collateralized by cash equal to the loan amount, the loans do not provide liquidity to the Company.

The loans mature in November 2017; however, the lenders of these facilities may put the outstanding loan balances to the Company at the two or four year anniversaries of the loans. Borrowings under the facilities are fully secured by cash held by the lender or

its affiliates. This secured cash is reflected as restricted cash on our consolidated balance sheets as of September 30, 2015 and September 30, 2014. The cash secured loans have a maximum interest rate equivalent to LIBOR plus 0.4% per annum, which is paid every three months following the effective date of each borrowing.

**Other Secured Notes Payable** — We periodically acquire land through the issuance of notes payable. As of September 30, 2015 and September 30, 2014, we had outstanding notes payable of \$20.9 million and \$22.1 million, respectively, primarily related to land acquisitions. These notes payable have varying expiration dates between 2016 and 2019 and have a weighted average fixed rate of 4.72% as of September 30, 2015. These notes are secured by the real estate to which they relate.

The agreements governing these other secured notes payable contain various affirmative and negative covenants. There can be no assurance that we will be able to obtain any future waivers or amendments that may become necessary without significant additional cost or at all. However, in each instance, a covenant default can be cured by repayment of the indebtedness.

#### (9) Contingencies

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

**Warranty Reserves.** We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined performance quality standards. In addition, we provide a limited warranty (generally ranging from five years up to the period covered by the applicable statute of repose) covering only certain defined construction defects. We also provide a defined structural element warranty with single-family homes and townhomes in certain states.

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

Our warranty reserves are included in other liabilities on our consolidated balance sheets and the provision for warranty accruals is included in home construction expenses in our consolidated statements of income. We record reserves covering anticipated warranty expense for each home we close. 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. Our review includes a quarterly analysis of the historical data and trends in warranty expense by division. An analysis by division allows us to consider market specific factors such as our warranty experience, the number of home closings, the prices of homes, product mix and other data in estimating our warranty reserves. In addition, our analysis also contemplates the existence of any non-recurring or community-specific warranty-related matters that might not be included in our historical data and trends. While we adjust our estimated warranty liabilities each reporting period to the extent required as a result of our quarterly analyses, historical data and trends may not accurately predict actual warranty costs which could lead to a significant change in the reserve.

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

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Balance at beginning of period	\$ 16,084	\$ 11,663	\$ 15,477
Accruals for warranties issued <sup>(a)</sup>	10,356	6,087	5,897
Changes in liability related to warranties existing in prior periods <sup>(b)</sup>	30,482	9,836	(2,856)
Payments made <sup>(b)</sup>	(29,241)	(11,502)	(6,855)
Balance at end of period	\$ 27,681	\$ 16,084	\$ 11,663

<sup>(a)</sup> Accruals for warranties issued is a function of the number of home closings in the period, the average selling prices of the homes closed and the rates of accrual per home estimated as a percentage of the selling price of the home. The increase in the amount of accrual in the current fiscal year compared to the comparable prior year periods is mainly due to an increase in the average selling prices of homes closed, as well as increases in certain divisions' accrual rates.

<sup>(b)</sup> Changes in liability related to warranties existing in prior periods and payments made increased in the current period primarily due to charges and subsequent payments related to water intrusion issues in certain of our communities located in Florida. Refer to separate discussion below.

### **Florida and New Jersey Water Intrusion Issues**

Beginning in the latter portion of fiscal 2014, we experienced an increase in calls from homeowners reporting stucco and water intrusion issues in certain of our communities in Florida and New Jersey. Through September 30, 2015, we have cumulatively recorded \$31.2 million in charges related to these issues, of which \$30.6 million related to communities in Florida and \$0.6 million related to one community in New Jersey. Refer to discussion below for further detail.

*Florida.* The issues in Florida (the Florida stucco issues) relate to stucco installation in several communities. Through September 30, 2014, we had identified a total of 135 homes that we believed were likely to require more than minor repairs and recorded an associated warranty charge of \$4.3 million. We had resolved repairs on 11 of those homes, resulting in payments of \$0.3 million. We consider warranty-related repairs for homes to be resolved when all repairs are complete and all repair costs are fully paid. As of September 30, 2014, our warranty liability included \$4.0 million for the amount of estimated repair costs for the remaining 124 homes, as well as an estimate of repair costs for homes that were likely to be identified in the future. At that time, we believed the issues were isolated to a limited number of specific house plans in several specific communities.

Throughout fiscal 2015, with many homeowners seeing an increased level of warranty-related activities occurring in their communities, the number of stucco and water-related warranty calls in Florida increased significantly. This led us to expand the scope of our inspections, including to homes and communities from which no warranty calls had been received. This enhanced review, together with our growing experience repairing homes previously identified, resulted in us determining that more homes and communities in Florida were likely to be adversely affected. Based on all of these activities and our resulting analysis, we recorded additional warranty expense of \$26.3 million during the year ended September 30, 2015 related to the Florida stucco issues.

As of September 30, 2015, 532 homes had been identified as likely to require repairs, of which 163 homes had been fully repaired. We made payments related to the Florida stucco issues of \$15.8 million for the year ended September 30, 2015 (including payments on fully repaired homes, as well as payments on homes where remediation is not yet fully complete). After considering repair costs already paid, the remaining accrual to cover outstanding payments and potential repair costs for homes impacted by the Florida stucco issues was \$14.5 million as of September 30, 2015, which is included in our overall warranty liability detailed above.

Our assessment of the Florida stucco issues is ongoing. As a result, we anticipate that our assessment as to the ultimate magnitude of our liability may change as additional information is obtained. We believe that we will recover a portion of our repair costs related to the Florida stucco issues from various sources, including our own insurance and from the subcontractors involved with the construction of these homes and their insurers; however, no amounts related to subcontractor recoveries have been recorded in our consolidated financial statements as of September 30, 2015.

*New Jersey.* The water intrusion issues in New Jersey related to flashing and stone installation on homes in one specific community. These homes had an average age of eight years. No new homes were identified in New Jersey during fiscal 2015. As of September 30, 2015, we believe the remaining warranty liability for New Jersey is sufficient to cover the probable cost of the repair effort remaining to resolve the issues in that community and is not material.

### **Insurance Recoveries**

The Company has third-party insurance that provides for the reimbursement of certain warranty costs incurred by us above a specified threshold for each period covered. We have surpassed these thresholds for certain contract years. As such, we expect a substantial majority of additional costs incurred in future periods for further warranty work on homes within these contract years to be reimbursed by our insurer.

Warranty expense beyond the thresholds set in our insurance contracts was recorded related to homes impacted by the Florida stucco issues, as well as other various warranty issues, resulting in our recording of \$18.9 million in insurance recoveries during the year ended September 30, 2015 that we deem to be probable of receiving. Of this expected recovery amount, \$12.7 million is associated with the incremental expense from the Florida stucco issues, while the remainder relates to expenditures for other warranty issues that are also in excess of our insurance thresholds. Amounts recorded for anticipated insurance recoveries are reflected within our consolidated statement of income as a reduction of our home construction expenses, and were recorded on a gross basis as a receivable within accounts receivable on our consolidated balance sheet as of September 30, 2015. During our fiscal 2015, we received reimbursements in the amount of \$11.1 million from our insurance provider as payment under these policies, reducing our insurance recovery receivable to \$7.8 million as of September 30, 2015.

Amounts to be recovered under our insurance plans will vary based on whether additional warranty costs are incurred for periods for which our threshold has already been met. As a result, we anticipate the balance of our established receivable for insurance recoveries to fluctuate for potential future reimbursements, as well as the payments ultimately received from our insurer.

### **Litigation**

From time-to-time, we have received claims from institutions that have acquired mortgages originated by our subsidiary, Beazer Mortgage Corporation (BMC), demanding damages or indemnity arising from BMC's activities or that we repurchase such mortgages. BMC stopped originating mortgages in 2008. We have been able to resolve these claims for amounts that are not material to our consolidated financial statements. We currently have an insignificant number of such claims outstanding for which we believe we have no liability. However, we cannot rule out the potential for additional mortgage loan repurchase or indemnity claims in the future from other investors. At this time, we do not believe that the exposure related to any such claims would be material to our consolidated financial condition, results of operations or cash flows. As of September 30, 2015, no liability has been recorded for any such additional claims, as such exposure is not both probable and reasonably estimable.

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

### **Other Matters**

On July 1, 2009, we entered into a Deferred Prosecution Agreement and associated Bill of Information (the DPA) with the United States Attorney for the Western District of North Carolina and a separate but related agreement with the United States Department of Housing and Urban Development (the HUD Agreement) and the Civil Division of the United States Department of Justice. We have satisfied our obligations under the DPA and in July 2014 the United States District Court for the Western Division of North Carolina dismissed the Bill of Information. However, under these agreements, we are obligated to make payments equal to 4% of "adjusted EBITDA," as defined in the agreements, until the earlier of (a) September 30, 2016 or (b) the date that a cumulative \$48.0 million has been paid pursuant to the DPA and the HUD Agreement. As of September 30, 2015, we have paid a cumulative \$22.7 million related to the DPA and the HUD Agreement. Additionally, we have a liability of \$7.4 million recorded on our consolidated balance sheet as of September 30, 2015 related to the DPA and the HUD Agreement. Our expense related to these agreements was \$5.3 million, \$5.4 million, and \$3.5 million for our fiscal 2015, 2014 and 2013, respectively, and was recorded in general and administrative expenses in our consolidated statements of income.

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

We have accrued \$12.6 million and \$13.4 million in other liabilities on our consolidated balance sheets related to litigation and other matters, excluding warranty, as of September 30, 2015 and 2014, respectively.

We had outstanding letters of credit and performance bonds of approximately \$43.1 million and \$201.3 million, respectively, as of September 30, 2015, related principally to our obligations to local governments to construct roads and other improvements in various developments. We have an immaterial amount of outstanding letters of credit relating to our land option contracts as of September 30, 2015.

### **(10) Fair Value Measurements**

As of September 30, 2015, we had assets on our consolidated balance sheet that were required to be measured at fair value on a recurring or non-recurring basis. We use a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly through corroboration with market data; and
- Level 3 – Unobservable inputs that reflect our own estimates about the assumptions market participants would use in pricing the asset or liability.

Certain of our assets are required to be recorded at fair value on a recurring basis. The fair value of our deferred compensation plan assets are based on market-corroborated inputs (level 2). The fair value of our available-for-sale marketable equity securities, when outstanding, was based on readily available share prices (level 1).

Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recovered. We review our long-lived assets, including inventory, for recoverability when factors indicate an impairment may exist, but no less than quarterly. Fair value is based on estimated cash flows discounted for market risks associated with the long-lived assets. The fair values of our investments in unconsolidated entities are determined primarily using a discounted cash flow model to value the underlying net assets of the respective entities. During the fiscal year ended September 30, 2015, we recorded no impairments for development projects in process and land held for sale impairments of \$1.4 million. During the fiscal year ended September 30, 2014, we recorded impairments related to projects in progress of \$5.4 million and land held for sale impairments of \$0.2 million. During the fiscal year ended September 30, 2013, we recorded impairments related to projects in progress of \$0.1 million, land held for sale impairments of \$2.1 million, and impairments of unconsolidated entity investments of \$0.2 million.

See Notes 2, 4, 5 and 15 for additional information related to the fair value accounting for the assets listed below. Determining which hierarchical level an asset or liability falls within requires significant judgment. We evaluate our hierarchy disclosures each quarter.

The following table presents the fiscal year-end balances of our assets measured at fair value on a recurring basis, and the impairment-date fair value of certain assets measured at fair value on a non-recurring basis, for each hierarchy level. These balances represent only those assets whose carrying values were adjusted to fair value during our fiscal 2015 and 2014:

(In thousands)	Level 1		Level 2		Level 3		Total
<b>Year Ended September 30, 2015</b>							
Deferred compensation plan assets <sup>(a)</sup>	\$	—	\$	669	\$	—	\$ 669
Land held for sale <sup>(b)</sup>		—		—		8,814	8,814
Year Ended September 30, 2014							
Available-for-sale marketable equity securities <sup>(a)</sup>	\$	24,765	\$	—	\$	—	\$ 24,765
Deferred compensation plan assets <sup>(a)</sup>		—		517		—	517
Development projects in progress <sup>(b)</sup>		—		—		14,379	14,379
Land held for sale <sup>(b)</sup>		—		—		4,117	4,117

<sup>(a)</sup> Measured at fair value on a recurring basis.

<sup>(b)</sup> Measured at fair value on a non-recurring basis.

The fair value of our cash and cash equivalents, restricted cash, accounts receivable, trade accounts payable, other liabilities, cash secured loans, amounts due under the Facility and other secured notes payable approximate their carrying amounts due to the short maturities of these assets and liabilities.

As of September 30, 2014, our investment in marketable equity securities, consisting solely of the shares held in AMH, was in a cumulative unrealized loss position of \$1.3 million, which was recorded in AOCI, a component of stockholders' equity, until the assets were sold.



When outstanding, obligations related to land not owned under option agreements approximate fair value. The following table presents the carrying values and estimated fair values of our other financial liabilities as of September 30, 2015 and September 30, 2014:

(In thousands)	As of September 30, 2015		As of September 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior Notes	\$ 1,427,240	\$ 1,412,173	\$ 1,435,183	\$ 1,462,899
Junior Subordinated Notes	57,803	57,803	55,736	55,736
	<u>\$ 1,485,043</u>	<u>\$ 1,469,976</u>	<u>\$ 1,490,919</u>	<u>\$ 1,518,635</u>

The estimated fair value shown above for our publicly-held Senior Notes has been determined using quoted market rates (level 2). Since there is no trading market for our Junior Subordinated Notes, the fair value of these notes is estimated by discounting scheduled cash flows through maturity (level 3). The discount rate is estimated using market rates currently being offered on loans with similar terms and credit quality. Judgment is required in interpreting market data to develop these estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange.

### (11) Operating Leases

We are obligated under various noncancelable operating leases for our office facilities and equipment. Rental expense under these agreements, which is included in general and administrative expenses in our consolidated statements of income, amounted to approximately \$5.2 million, \$5.4 million and \$4.9 million for the fiscal years ended September 30, 2015, 2014 and 2013, respectively. This rental expense excludes expense related to our discontinued operations, which is not material in any period presented. Sublease income received in all periods presented was not material, nor is it expected to be material in future periods. As of September 30, 2015, future minimum lease payments under noncancelable operating lease agreements are as follows:

#### Fiscal Year Ended September 30,

(In thousands)	
2016	\$ 4,019
2017	3,154
2018	2,251
2019	1,394
2020	673
Thereafter	253
Total	<u>\$ 11,744</u>

### (12) Other Liabilities

Other liabilities include the following as of September 30, 2015 and September 30, 2014:

(In thousands)	September 30, 2015	September 30, 2014
Accrued interest	\$ 31,632	\$ 34,645
Accrued warranty expenses	27,681	16,084
Accrued bonus and deferred compensation	25,076	24,270
Customer deposits	13,757	11,977
Litigation accrual	12,607	13,401
Income tax liabilities	1,998	5,576
Other	36,215	36,563
Total	<u>\$ 148,966</u>	<u>\$ 142,516</u>

### (13) Income Taxes

Our benefit from income taxes from continuing operations consists of the following for the periods presented:

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Current federal	\$ (64)	\$ (44,789)	\$ (4,409)
Current state	520	322	(394)
Deferred federal <sup>(a)</sup>	(314,651)	2,385	1,476
Deferred state <sup>(a)</sup>	(10,374)	285	(162)
Total	\$ (324,569)	\$ (41,797)	\$ (3,489)

<sup>(a)</sup> Benefit due to release of a substantial portion of the valuation allowance on our deferred tax assets; refer to discussion below titled "Valuation Allowance."

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

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Income tax computed at statutory rate	\$ 7,711	\$ (2,406)	\$ (12,479)
State income taxes, net of federal benefit	2,485	(172)	(684)
Decrease in valuation allowance - IRS Settlement	—	(26,846)	—
(Decrease)/Increase in valuation allowance - other <sup>(a)</sup>	(334,605)	3,023	11,729
Changes for uncertain tax positions	42	(14,276)	(1,909)
IRS interest refund	—	(1,714)	—
Other, net	(202)	594	(146)
Total	\$ (324,569)	\$ (41,797)	\$ (3,489)

<sup>(a)</sup> Amount includes \$335.2 million release of a substantial portion of the valuation allowance on our deferred tax assets; refer to discussion below titled "Valuation Allowance."

The principal differences between our effective tax rate and the U.S. federal statutory rate relates to changes in our valuation allowance and our unrecognized tax benefits.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of our assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant temporary differences that give rise to the net deferred tax assets are as follows as of September 30, 2015 and September 30, 2014:

(In thousands)	September 30, 2015	September 30, 2014
<b>Deferred tax assets:</b>		
Warranty and other reserves	\$ 14,913	\$ 11,587
Incentive compensation	10,780	18,993
Property, equipment and other assets	2,866	2,750
Federal and state tax carryforwards	292,346	357,146
Inventory adjustments	87,335	95,237
Uncertain tax positions	1,917	1,911
Other	3,814	3,923
<b>Total deferred tax assets</b>	<b>413,971</b>	<b>491,547</b>
<b>Deferred tax liabilities:</b>		
Deferred revenues	(30,939)	(43,496)
<b>Total deferred tax liabilities</b>	<b>(30,939)</b>	<b>(43,496)</b>
<b>Net deferred tax assets before valuation allowance</b>	<b>383,032</b>	<b>448,051</b>
<b>Valuation allowance</b>	<b>(57,659)</b>	<b>(445,228)</b>
<b>Net deferred tax assets</b>	<b>\$ 325,373</b>	<b>\$ 2,823</b>

At September 30, 2015, our gross deferred tax assets above included \$250.5 million for federal net operating loss carryforwards, \$30.9 million for state net operating loss carryforwards, \$9.8 million for an alternative minimum tax credit and \$4.9 million for general business credits. The net operating loss carryforwards expire at various dates through 2033 and the general business credits expire at various dates through 2035. The alternative minimum tax credit has an unlimited carryforward period.

We recognized an income tax benefit of \$324.6 million in our fiscal 2015, \$41.8 million in our fiscal 2014 and \$3.5 million in our fiscal 2013. The income tax benefit in our fiscal 2015 primarily resulted from the release of a substantial portion of the valuation allowance on our deferred tax assets. The income tax benefit in our fiscal 2014 was due to the resolution of a federal tax audit, which resulted in a refund of \$26.8 million, as well as the recognition of unrecognized tax benefits of \$14.3 million. In fiscal 2013, our income tax benefit primarily reflected a specified loss carryback claim that resulted in a refund of \$2.5 million. Due to the effects of changes in our valuation allowance on our deferred tax balance and changes in our unrecognized tax benefits, our effective tax rates in fiscal 2015, 2014 and 2013 are not meaningful metrics, as our income tax amounts are not directly correlated to the amount of our pretax income (loss) for those periods.

#### **Valuation Allowance**

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

Based upon an evaluation of all available evidence, the most important of which was recent losses incurred, we established a valuation allowance for substantially all of our deferred tax assets during our fiscal 2008. We have continued to evaluate the need for our valuation allowance by assessing all positive and negative evidence indicating our ability to realize our deferred tax assets. In these evaluations, we gave more significant weight to objective evidence, such as our actual financial condition and results of operations, as compared to subjective evidence.

The positive evidence we considered as part of our analysis during the fourth quarter of 2015 included our ten quarters of cumulative income from continuing operations; our sustained growth in backlog units in comparable periods; significant growth in our ASP for both backlog and actual closings over the past fifteen quarters and an increase in closings from fiscal year 2014 to fiscal year 2015. Our \$30.7 million in income from continuing operations for the quarter-ended September 30, 2015 represents a significant

increase over the prior two comparable periods and further emphasizes our continued earnings and evidence of a sustained recovery. Our current levels of backlog (in both units and dollars) support our expectations of future profitability.

The negative evidence we considered as part of our analysis centered around significant quarterly losses that the Company incurred through the quarter-ended March 31, 2013. These losses will roll-off in the first half of fiscal 2016 as we continue to monitor our 36-month cumulative income position. The removal of these losses from our analysis provides a significant increase in our recent earnings trend and, coupled with our actual improvements in continuing operations, point to an objectively verifiable increase in our earnings profile.

Therefore, during the fourth quarter ended September 30, 2015, we concluded that it was more likely than not that a substantial amount of our deferred tax assets would be realized. This conclusion was based on an evaluation of all relevant evidence, both positive and negative, as discussed above. The principal positive evidence that led us to this determination was our improved pre-tax earnings profile, particularly over our most recent two fiscal years. Given the remaining recovery period for the majority of our deferred tax assets, our recent historical operating results support the realization of a significant amount of our deferred tax assets. Therefore, the Company's valuation allowance on its deferred tax assets was reduced during the fourth quarter ended September 30, 2015 to \$57.7 million, as compared to \$445.2 million as of September 30, 2014. The remaining valuation allowance is balanced between various federal and state attributes for which the Company has concluded it is not more likely than not that these attributes will be realized at this time.

In addition to our improving historic results, the release is further supported by the underlying momentum of our business, a generally improving housing market and stabilization in broader economic conditions over the past few years. Positive evidence related to our business momentum includes factors such as evidence of recovery in the housing markets specific to where we operate, a strong backlog and significant increases in other key financial indicators over the last few years, including new orders, revenue, gross margin and community count. We continue to see increases in our average sales price in both our closed homes and backlog that further supports our improved historical operating results and assessment of our ability to realize our deferred tax assets. The overall housing market recovery is supported by increases in housing starts and homebuilding volume, reduced foreclosures and continued low mortgage rates. Even though home prices are rising, home ownership remains affordable, especially when compared to renting, and household growth is expected to continue.

### **Section 382 Ownership Change**

We experienced an "ownership change" as defined in Section 382 of the Internal Revenue Code (Section 382) as of January 12, 2010. Section 382 contains rules that limit the ability of a company that undergoes an "ownership change" to utilize its net operating loss carryforwards (NOLs) and certain built-in losses or deductions recognized during the five-year period after the ownership change to offset future taxable income. Therefore, our ability to utilize our pre-ownership change net operating loss carryforwards and recognize certain built-in losses or deductions is limited by Section 382 to an estimated maximum amount of approximately \$11.4 million (\$4.0 million tax-effected) annually. Certain deferred tax assets are not subject to any limitation imposed by Section 382.

Due to the Section 382 limitation and the maximum carryforward period of our NOLs, we are unable to fully recognize certain deferred tax assets. Accordingly, during our fiscal 2015 and 2014, we reduced our gross deferred tax assets and corresponding valuation allowance by \$17.9 million and \$9.9 million, respectively. As future economic conditions become known, we will be able to confirm whether additional deferred tax assets will not provide any future tax benefit. At such time, we will eliminate these deferred tax assets and any corresponding valuation allowance, if applicable.

Accordingly, a portion of our \$414.0 million of total gross deferred tax assets related to accrued losses on our inventory were unavailable due to the limitation imposed by Section 382. Previously, we provided a range of gross deferred tax assets that may be unavailable based on estimates of activity occurring in the five-year period following our "ownership change." As of June 30, 2015, because the five-year period expired, we have determined the actual impact and final classification of those amounts, which is incorporated into the table below. The actual realization of our deferred tax assets is difficult to predict and is dependent on future events.

Considering the limitation imposed by Section 382, the table below depicts the classifications of our deferred tax assets as of September 30, 2015:

(In thousands)	September 30, 2015
<b>Deferred tax assets:</b>	
Subject to annual limitation	\$ 93,741
Generally not subject to annual limitation	320,230
<b>Total deferred tax assets</b>	<b>413,971</b>
<b>Deferred tax liabilities</b>	<b>(30,939)</b>
Net deferred tax assets before valuation allowance	383,032
Valuation allowance	(57,659)
<b>Net deferred tax assets</b>	<b>\$ 325,373</b>

#### Unrecognized Tax Benefits

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

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Balance at beginning of year	\$ 4,616	\$ 17,464	\$ 19,630
Additions for (reductions in) tax positions related to current year	251	150	(1,620)
Additions for tax positions related to prior years	—	1,365	—
Reductions for tax positions of prior years	(10)	(14,201)	—
Lapse of statute of limitations	(136)	(162)	(546)
<b>Balance at end of year</b>	<b>\$ 4,721</b>	<b>\$ 4,616</b>	<b>\$ 17,464</b>

If we were to recognize our \$4.7 million of gross unrecognized tax benefits remaining as of September 30, 2015, substantially all would impact our effective tax rate. Additionally, we had \$0.4 million of accrued interest and penalties as of September 30, 2015 and 2014. Our income tax benefit includes tax related interest.

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11), to provide guidance on the presentation of unrecognized tax benefits. ASU 2013-11 requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward with certain limited exceptions. ASU 2013-11 was effective for annual reporting periods beginning on or after December 15, 2013 and interim periods within those annual periods. The Company adopted this guidance in the quarter ended December 31, 2014, which was the first quarter of our fiscal 2015, with no significant impact to our financial statements.

In the normal course of business, we are subject to audits by federal and state tax authorities regarding various tax liabilities. Our federal income tax returns for fiscal years 2011 through 2012 were agreed to with the IRS Appeals Office and approved by the Joint Committee on Taxation in the first quarter of fiscal year 2015. Certain state income tax returns for various fiscal years are under routine examination. The statute of limitations for our major tax jurisdictions remains open for examination for fiscal years 2007 and subsequent years. As of September 30, 2015, it is reasonably possible that none of our uncertain tax positions will reverse within the next twelve months.

#### (14) Stockholders' Equity

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

**Common Stock.** On July 15, 2015, the remaining PSPs related to the TEUs were settled in Beazer Homes' common stock at a rate of 1.40746 shares per TEU outstanding because our average share price during the pricing period as per the TEU agreement was greater than \$17.75. This conversion required us to issue approximately 5.2 million shares of common stock to the instrument holders. See Note 8 for more information on the TEUs.

**Common Stock Repurchases.** During our fiscal 2015, 2014 and 2013, we did not repurchase any shares of our common stock in the open market. Any future stock repurchases, as allowed by our existing debt covenants, must be approved by the Company's Board of Directors or its Finance Committee.

During our fiscal 2015, 2014 and 2013, 10,302, 23,602 and 6,147 shares of our common stock, respectively, were surrendered to us by employees as payment of minimum tax obligations upon the vesting of restricted stock awards under our stock incentive plans. We valued the surrendered stock at the market price on the date of surrender, for an aggregate value of approximately \$192 thousand in fiscal 2015, \$450 thousand in fiscal 2014 and \$121 thousand in fiscal 2013.

**Dividends.** The indentures under which our Senior Notes were issued contain certain restrictive covenants, including limitations on our payment of dividends. As of September 30, 2015, under the most restrictive covenants of each indenture, none of our retained earnings were available for cash dividends. Hence, there were no dividends paid in our fiscal 2015, 2014 or 2013.

**Section 382 Rights Agreement.** In February 2011, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation (the Protective Amendment) designed to preserve the value of certain tax assets associated with NOL carryforwards under Section 382 and approved a Section 382 Rights Agreement adopted by our Board of Directors. These instruments were intended to act as deterrents to any person or group, together with their affiliates and associates, from being or becoming the beneficial owner of 4.95% or more of the Company's common stock and were scheduled to expire on November 12, 2013. In February 2013, the Company's stockholders approved an extension of the Protective Amendment through November 12, 2016 and approved a new Section 382 Rights Agreement adopted by our Board of Directors, which will become effective through November 14, 2016.

#### **(15) Retirement and Deferred Compensation Plans**

**401(k) Retirement Plan.** We sponsor a defined-contribution plan that is a tax-qualified retirement plan under section 401(k) of the Internal Revenue Code (the Plan). Substantially all employees are eligible for participation in the Plan after completing one calendar month of service. Participants may defer and contribute from 1% to 80% of their salary to the Plan 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 the Company's contributions vest over five years. Our total contributions for the fiscal years ended September 30, 2015, 2014 and 2013 were approximately \$2.4 million, \$2.0 million and \$1.1 million, respectively. During fiscal 2015, 2014 and 2013, participants forfeited \$0.5 million, \$0.4 million and \$0.5 million, respectively, of unvested matching contributions.

**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 DCP Plan allows the executives to defer current compensation on a pre-tax basis to a future year, until termination of employment. The objectives of the DCP Plan are to assist executives with financial planning and capital accumulation and to provide the Company with a method of attracting, rewarding and retaining executives. Participation in the DCP Plan is voluntary. Beazer Homes may voluntarily make a contribution to the participants' DCP accounts. Deferred compensation assets of \$0.7 million and \$0.5 million and deferred compensation liabilities of \$2.6 million and \$2.5 million as of September 30, 2015, and 2014, respectively, are included in other assets and other liabilities on our consolidated balance sheets and are recorded at fair value. For the years ended September 30, 2015, 2014 and 2013, we contributed approximately \$227,000, \$212,000 and \$215,000, respectively, to the DCP Plan in the form of voluntary contributions.

#### **(16) Stock-Based Compensation**

During fiscal 2014, we adopted, and our stockholders approved, the 2014 Beazer Homes USA, Inc. Long-Term Incentive Plan (the 2014 Plan). Following adoption of the 2014 Plan, shares available for grant under our 2010 Equity Incentive Plan (the 2010 Plan) remain available for grant in accordance with the terms of that plan. However, there are no more shares available for future issuance under our Amended and Restated 1999 Stock Incentive Plan (the 1999 Plan). We issue new shares upon the exercise of stock options and the vesting of restricted stock awards. In cases of forfeitures and shares returned to us for taxes, those shares are returned to the share pool for future issuance. As of September 30, 2015, we had approximately 1.9 million shares of common stock for issuance under our various equity incentive plans, of which approximately 1.3 million shares are available for future grants.

Our total stock-based compensation expense is included in general and administrative expenses (G&A) in our consolidated statements of income. A summary of the expense related to stock-based compensation by award type is as follows for the periods presented:

(In millions)	Fiscal Year Ended September 30,		
	2015	2014	2013
Stock options expense	\$ 0.7	\$ 0.8	\$ 0.9
Restricted stock awards expense	5.4	1.8	2.0
Before tax stock-based compensation expense	6.1	2.6	2.9
Tax benefit	(1.5)	(0.7)	(0.6)
After tax stock-based compensation expense	\$ 4.6	\$ 1.9	\$ 2.3

**Stock Options.** We have issued stock options to officers and key employees under both the 2010 Plan and the 1999 Plan. Stock options have an exercise price equal to the fair market value of the common stock on the grant date, vest three years after the date of grant and may be exercised thereafter until their expiration, subject to forfeiture upon termination of employment as provided in the applicable plan. Under certain conditions of retirement, eligible participants may receive a partial vesting of stock options. Stock options generally expire on the seventh or eighth anniversary from the date such options were granted depending on the terms of the award.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. We used the following assumptions for options granted, which derived the fair value shown, during the periods presented:

	Fiscal Year Ended September 30,	
	2014	2013
Expected life of options	5.1 years	5.0 years
Expected volatility	45.99%	46.15%
Expected dividends	—	—
Weighted average risk-free interest rate	1.42%	0.63%
Weighted average fair value	\$ 7.97	\$ 5.48

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

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price. Our stock options outstanding, stock options vested and expected to vest and exercisable stock options each had an intrinsic value of \$0.3 million as of September 30, 2015.

The following table summarizes stock options outstanding as of September 30 and activity during the fiscal years ended September 30 for the periods presented:

	2015		2014		2013	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	650,223	\$ 18.12	560,784	\$ 33.01	429,973	\$ 48.80
Granted	—	—	161,010	19.11	160,651	13.56
Exercised	(1,209)	12.07	(2,788)	14.29	(681)	10.80
Expired	—	—	(55,811)	170.32	(22,914)	47.65
Forfeited	(5,107)	19.05	(12,972)	19.85	(6,245)	17.93
Outstanding at end of period	643,907	\$ 18.13	650,223	\$ 18.12	560,784	\$ 33.01
Exercisable at end of period	491,029	\$ 18.40	355,703	\$ 19.74	310,120	\$ 48.73
Vested or expected to vest in the future	643,877	\$ 18.13	649,773	\$ 18.12	558,519	\$ 33.09

The following table summarizes information about stock options outstanding and exercisable as of September 30, 2015:

Range of Exercise Price	Stock Options Outstanding			Stock Options Exercisable		
	Number Outstanding	Weighted Average Contractual Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Contractual Remaining Life (Years)	Weighted Average Exercise Price
\$1 - \$15	253,703	4.71	\$ 12.28	204,328	4.61	\$ 12.02
\$16 - \$20	247,781	4.20	19.30	144,278	2.84	19.43
\$21- \$30	142,423	1.82	26.51	142,423	1.82	26.51
\$1- \$30	643,907	3.88	\$ 18.13	491,029	3.28	\$ 18.40

Compensation cost arising from stock options is recognized as an expense using the straight-line method over the vesting period. As of September 30, 2015 and September 30, 2014, there was \$0.5 million and \$1.2 million, respectively, of total unrecognized compensation cost related to nonvested stock options. The cost remaining as of September 30, 2015 is expected to be recognized over a weighted average period of 0.7 years.

**Restricted Stock Awards.** During our fiscal 2015, we issued several types of restricted stock awards as follows: (1) performance-based awards based on a measure of total shareholder return (TSR); (2) performance-based awards based on achievement of pre-tax income; and (3) time-based restricted stock. Each award type is discussed further below.

During our fiscal year ended September 30, 2015, we issued 201,157 shares of performance-based restricted stock (Performance Shares) to our executive officers and certain employees. Each Performance Share represents a contingent right to receive one share of the Company's common stock if vesting is satisfied at the end of the three-year performance period.

The first type of Performance Shares granted in fiscal 2015 requires a TSR that compares favorably against a peer group, measured at the end of the three-year performance period (TSR Performance Shares). Awards granted in prior periods also are dependent on the compound annual growth rate (CAGR) of the price of our common stock during the three-year performance period. The number of TSR Performance Shares that actually vest will range from 0% to 150% of the target number, based on the Company's TSR ranking relative to its peer group during the three-year performance period (and, for certain prior period awards, the CAGR achieved). TSR calculations for the Company and the peer group companies are based on the average closing price of the Company's common stock on the NYSE for the 20 trading days immediately preceding (i) the start of the performance period and (ii) the end of the performance period. The grant of the TSR Performance Shares was valued using the Monte Carlo valuation method and our fiscal 2015 grant had an estimated fair value of \$19.07 per share at the date of grant, a portion of which is attributable to the potential cash-settled liability aspect of the grant, which is included in other liabilities on our consolidated balance sheets.

A Monte Carlo simulation model requires the following inputs: (1) expected dividend yield on the underlying stock; (2) expected price volatility of the underlying stock; (3) risk-free interest rate for the period corresponding with the expected term of the award and (4) fair value of the underlying stock. For the Company and each member of the peer group, the following inputs were used, as applicable, in the Monte Carlo simulation model to determine the fair value as of the grant date for the TSR Performance Shares granted in fiscal 2015: 0% dividend yield for the Company, expected price volatility ranging from 35.0% to 59.1% and a risk-free interest rate of 0.66%. The methodology used to determine these assumptions is similar to that for the Black-Scholes Model used for stock option grants discussed above; however, the expected term is determined by the model in the Monte Carlo simulation.

The second type of Performance Shares granted in fiscal 2015 is structured to require absolute performance measured by the Company's fiscal year 2017 pre-tax income (PTI), defined as the Company's income from continuing operations before taxes and excluding impairments and abandonments, bond losses and such other non-recurring items as the Compensation Committee of our Board of Directors may approve (PTI Performance Shares). The PTI Performance Shares will vest in 2017, subject to determination of the Company's actual pre-tax income performance. The PTI Performance Shares will be fully earned at a target pre-tax income level, with a 50% payout at the threshold level of pre-tax income and a payout at the maximum level of pre-tax income of either 150% or 200% depending on the individual grantee. Once the threshold 2017 pre-tax income performance level is achieved, to the extent the actual 2017 pre-tax income performance is between the threshold and target performance levels, or between the target and maximum performance levels, linear interpolation between the award opportunity percentages will be applied to determine the actual payout. These shares are valued based on the market price of the Company's common stock on the date of the grant.

Performance Shares in excess of the target number (201,157) may be settled in cash or additional shares at the discretion of the Compensation Committee. Any portion of the Performance Shares that do not vest at the end of the period will be forfeited.



During our fiscal year ended September 30, 2015, we also issued 209,035 shares of time-based restricted stock (Restricted Shares) to our executive officers and certain employees. Restricted Shares are valued based on the market price of the Company's common stock on the date of the grant. Depending on the award, the restricted stock either cliff-vests one to four years from the date of grant or vests ratably over three years from the date of grant.

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

	Fiscal Year Ended September 30,					
	2015		2014		2013	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning of period	746,567	\$ 15.76	280,416	\$ 12.32	323,335	\$ 19.61
Granted	410,192	19.01	595,567	18.68	99,413	10.95
Vested	(64,719)	15.96	(113,320)	22.55	(126,124)	27.59
Forfeited	(135,757)	7.77	(16,096)	15.93	(16,208)	30.57
End of period	956,283	\$ 18.27	746,567	\$ 15.76	280,416	\$ 12.32

Compensation cost arising from restricted stock awards granted to employees is recognized as an expense using the straight-line method over the vesting period. As of September 30, 2015 and September 30, 2014, there was \$11.7 million and \$10.0 million, respectively, of total unrecognized compensation cost related to nonvested restricted stock awards. The cost remaining at September 30, 2015 is expected to be recognized over a weighted average period of 2.5 years.

### (17) Earnings Per Share

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

The Company reported a net loss for the fiscal year ended September 30, 2013. Accordingly, all common stock equivalents, including 0.6 million shares issuable related to our stock-based compensation plans and 7.9 million shares issuable upon the conversion of our PSPs, were excluded from the computation of diluted loss per share because inclusion would have resulted in anti-dilution. For the years ended September 30, 2015 and 2014, 1.1 million and 0.6 million common stock equivalents, respectively, were excluded from our calculation of diluted income per share as a result of their anti-dilutive effect.

The weighted-average number of common shares outstanding used to calculate basic income (loss) per share is reconciled to shares used to calculate diluted income (loss) per share as follows for the periods presented:

(in thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Basic shares	27,628	25,795	24,651
Shares issued upon conversion of TEUs <sup>(a)</sup>	4,069	5,784	—
Shares issuable upon vesting/exercise of stock awards/options	75	216	—
Diluted shares	31,772	31,795	24,651

<sup>(a)</sup> In July 2015, the remaining PSPs related to the TEUs were settled in Beazer Homes' common stock at a rate of 1.40746 shares per TEU outstanding because our average share price during the pricing period as per the TEU agreement was greater than \$17.75. This conversion required us to issue approximately 5.2 million shares of common stock to the instrument holders. In the current fiscal year, these instruments were dilutive from October 1, 2014 through July 15, 2015; once the shares were converted, they were included in the number of the weighted-average basic shares outstanding.

### (18) Segment Information

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

allocations. We have considered the applicable aggregation criteria, and have combined our homebuilding operations into the three reportable segments as follows:

*West:* Arizona, California, Nevada and Texas

*East:* Delaware, Indiana, Maryland, New Jersey<sup>(a)</sup>, Tennessee and Virginia

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

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

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

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

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
<b>Revenue</b>			
West	\$ 607,515	\$ 556,741	\$ 547,636
East	576,560	552,082	483,685
Southeast	443,338	354,944	256,256
Total revenue	\$ 1,627,413	\$ 1,463,767	\$ 1,287,577

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
<b>Operating income (loss)</b>			
West	\$ 67,236	\$ 65,442	\$ 59,084
East	52,516	48,127	40,670
Southeast	37,114	31,854	23,030
Operating segment total	156,866	145,423	122,784
Corporate and unallocated <sup>(a)</sup>	(105,279)	(89,734)	(95,523)
Total operating income	\$ 51,587	\$ 55,689	\$ 27,261

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
<b>Depreciation and amortization</b>			
West	\$ 5,544	\$ 5,722	\$ 5,305
East	3,091	3,447	3,479
Southeast	2,776	2,075	1,683
Operating segment total	11,411	11,244	10,467
Corporate and unallocated <sup>(a)</sup>	1,927	2,035	2,317
Depreciation and amortization	\$ 13,338	\$ 13,279	\$ 12,784

<sup>(a)</sup> Corporate and unallocated operating loss includes amortization of capitalized interest and expenses related to numerous shared services functions including information technology, treasury, corporate finance, legal, branding and other national marketing costs that benefit all segments, the costs of which are not allocated to the operating segments reported above. Corporate and unallocated depreciation and amortization represents depreciation and amortization related to assets held by corporate functions that benefit all segments.

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

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
<b>Capital Expenditures</b>			
West	\$ 7,348	\$ 6,660	\$ 4,835
East	3,692	3,050	1,915
Southeast	3,379	2,979	1,311
Corporate and unallocated <sup>(a)</sup>	2,219	1,864	2,700
Total capital expenditures	<u>\$ 16,638</u>	<u>\$ 14,553</u>	<u>\$ 10,761</u>

<sup>(a)</sup> Amount includes non-cash capital expenditure; refer to Note 3.

The following table contains our asset balance by segment as of September 30, 2015 and September 30, 2014:

(In thousands)	September 30, 2015	September 30, 2014	September 30, 2013
<b>Assets</b>			
West	\$ 843,564	\$ 756,575	\$ 680,346
East	436,346	433,032	369,937
Southeast	317,295	299,215	228,814
Corporate and unallocated <sup>(a)</sup>	823,998	577,398	707,692
Total assets	<u>\$ 2,421,203</u>	<u>\$ 2,066,220</u>	<u>\$ 1,986,789</u>

<sup>(a)</sup> Primarily consists of cash and cash equivalents, consolidated inventory not owned, deferred taxes, capitalized interest and other items that are not allocated to the segments.

### (19) Supplemental Guarantor Information

As discussed in Note 8, our obligations to pay principal, premium, if any, and interest under certain debt are guaranteed on a joint and several basis by substantially all of our subsidiaries. Certain of our immaterial subsidiaries do not guarantee our Senior Notes or the Facility. The guarantees are full and unconditional and the guarantor subsidiaries are 100% owned by Beazer Homes USA, Inc. The following financial information presents the line items of our consolidated financial statements separated by amounts related to our parent company, guarantor subsidiaries, non-guarantor subsidiaries and consolidating adjustments as of or for the periods presented.

**Beazer Homes USA, Inc.**  
**Consolidating Balance Sheet Information**  
**September 30, 2015**  
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
<b>ASSETS</b>					
Cash and cash equivalents	\$ 232,226	\$ 21,543	\$ 1,006	\$ (3,192)	\$ 251,583
Restricted cash	37,177	1,724	—	—	38,901
Accounts receivable (net of allowance of \$1,052)	—	52,378	1	—	52,379
Income tax receivable	419	—	—	—	419
Owned inventory	—	1,697,590	—	—	1,697,590
Investments in unconsolidated entities and marketable securities	773	12,961	—	—	13,734
Deferred tax assets, net	325,373	—	—	—	325,373
Property and equipment, net	—	22,230	—	—	22,230
Investments in subsidiaries	649,701	—	—	(649,701)	—
Intercompany	913,733	—	2,384	(916,117)	—
Other assets	12,519	6,471	4	—	18,994
Total assets	<u>\$ 2,171,921</u>	<u>\$ 1,814,897</u>	<u>\$ 3,395</u>	<u>\$ (1,569,010)</u>	<u>\$ 2,421,203</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Trade accounts payable	\$ —	\$ 113,539	\$ —	\$ —	\$ 113,539
Other liabilities	31,703	116,718	545	—	148,966
Intercompany	2,384	916,925	—	(919,309)	—
Total debt (net of discounts of \$3,639)	1,507,411	20,864	—	—	1,528,275
Total liabilities	<u>1,541,498</u>	<u>1,168,046</u>	<u>545</u>	<u>(919,309)</u>	<u>1,790,780</u>
Stockholders' equity	630,423	646,851	2,850	(649,701)	630,423
Total liabilities and stockholders' equity	<u>\$ 2,171,921</u>	<u>\$ 1,814,897</u>	<u>\$ 3,395</u>	<u>\$ (1,569,010)</u>	<u>\$ 2,421,203</u>

**Beazer Homes USA, Inc.**  
**Consolidating Balance Sheet Information**  
**September 30, 2014**  
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
<b>ASSETS</b>					
Cash and cash equivalents	\$ 301,980	\$ 22,034	\$ 1,614	\$ (1,474)	\$ 324,154
Restricted cash	61,945	996	—	—	62,941
Accounts receivable (net of allowance of \$1,245)	—	34,428	1	—	34,429
Income tax receivable	46	—	—	—	46
Owned inventory	—	1,557,496	—	—	1,557,496
Land not owned under option agreements	—	3,857	—	—	3,857
Investments in marketable securities and unconsolidated entities	773	37,568	—	—	38,341
Deferred tax assets, net	2,823	—	—	—	2,823
Property and equipment, net	—	18,673	—	—	18,673
Investments in subsidiaries	253,540	—	—	(253,540)	—
Intercompany	1,195,349	—	2,405	(1,197,754)	—
Other assets	17,226	6,144	90	—	23,460
Total assets	<u>\$ 1,833,682</u>	<u>\$ 1,681,196</u>	<u>\$ 4,110</u>	<u>\$ (1,452,768)</u>	<u>\$ 2,066,220</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Trade accounts payable	\$ —	\$ 106,237	\$ —	\$ —	\$ 106,237
Other liabilities	38,871	102,833	812	—	142,516
Intercompany	2,405	1,196,823	—	(1,199,228)	—
Obligations related to land not owned under option agreements	—	2,916	—	—	2,916
Total debt (net of discounts of \$4,399)	1,513,288	22,145	—	—	1,535,433
Total liabilities	<u>1,554,564</u>	<u>1,430,954</u>	<u>812</u>	<u>(1,199,228)</u>	<u>1,787,102</u>
Stockholders' equity	279,118	250,242	3,298	(253,540)	279,118
Total liabilities and stockholders' equity	<u>\$ 1,833,682</u>	<u>\$ 1,681,196</u>	<u>\$ 4,110</u>	<u>\$ (1,452,768)</u>	<u>\$ 2,066,220</u>

**Beazer Homes USA, Inc.**  
**Consolidating Statements of Income and Comprehensive Income Information**  
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
<b><i>Fiscal Year Ended September 30, 2015</i></b>					
Total revenue	\$ —	\$ 1,627,413	\$ 198	\$ (198)	\$ 1,627,413
Home construction and land sales expenses	55,006	1,297,052	—	(198)	1,351,860
Inventory impairments and option contract abandonments	—	3,109	—	—	3,109
Gross (loss) profit	(55,006)	327,252	198	—	272,444
Commissions	—	65,023	—	—	65,023
General and administrative expenses	—	142,391	105	—	142,496
Depreciation and amortization	—	13,338	—	—	13,338
Operating (loss) income	(55,006)	106,500	93	—	51,587
Equity in income of unconsolidated entities	—	536	—	—	536
Loss on extinguishment of debt	(80)	—	—	—	(80)
Other expense, net	(29,752)	(258)	(3)	—	(30,013)
(Loss) income before income taxes	(84,838)	106,778	90	—	22,030
(Benefit from) provision for income taxes	(32,275)	(292,326)	32	—	(324,569)
Equity in income of subsidiaries	399,162	—	—	(399,162)	—
Income (loss) from continuing operations	346,599	399,104	58	(399,162)	346,599
Loss from discontinued operations	—	(2,495)	(10)	—	(2,505)
Equity in loss of subsidiaries	(2,505)	—	—	2,505	—
Net income (loss)	\$ 344,094	\$ 396,609	\$ 48	\$ (396,657)	\$ 344,094
Change in unrealized loss related to available-for-sale securities	1,276	—	—	—	1,276
Comprehensive income (loss)	\$ 345,370	\$ 396,609	\$ 48	\$ (396,657)	\$ 345,370
	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
<b><i>Fiscal Year Ended September 30, 2014</i></b>					
Total revenue	\$ —	\$ 1,463,767	\$ 379	\$ (379)	\$ 1,463,767
Home construction and land sales expenses	39,255	1,153,125	—	(379)	1,192,001
Inventory impairments and option contract abandonments	245	8,062	—	—	8,307
Gross (loss) profit	(39,500)	302,580	379	—	263,459
Commissions	—	58,028	—	—	58,028
General and administrative expenses	—	136,349	114	—	136,463
Depreciation and amortization	—	13,279	—	—	13,279
Operating (loss) income	(39,500)	94,924	265	—	55,689
Equity in income of unconsolidated entities	—	6,545	—	—	6,545
Loss on extinguishment of debt	(19,917)	—	—	—	(19,917)
Other (expense) income, net	(50,786)	1,600	(5)	—	(49,191)
(Loss) income before income taxes	(110,203)	103,069	260	—	(6,874)
(Benefit from) provision for income taxes	(14,247)	(27,642)	92	—	(41,797)
Equity in income of subsidiaries	130,879	—	—	(130,879)	—
Income (loss) from continuing operations	34,923	130,711	168	(130,879)	34,923
Loss from discontinued operations	—	(532)	(8)	—	(540)
Equity in loss of subsidiaries	(540)	—	—	540	—
Net income (loss)	\$ 34,383	\$ 130,179	\$ 160	\$ (130,339)	\$ 34,383
Change in unrealized loss related to available-for-sale securities	(1,276)	—	—	—	(1,276)
Comprehensive income (loss)	\$ 33,107	\$ 130,179	\$ 160	\$ (130,339)	\$ 33,107

**Beazer Homes USA, Inc.**  
**Consolidating Statements of Income and Comprehensive Income Information**  
(In thousands)

	<u>Beazer Homes USA, Inc.</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated Beazer Homes USA, Inc.</u>
<i>Fiscal Year Ended September 30, 2013</i>					
Total revenue	\$ —	\$ 1,287,577	\$ 736	\$ (736)	\$ 1,287,577
Home construction and land sales expenses	41,246	1,030,304	—	(736)	1,070,814
Inventory impairments and option contract abandonments	—	2,633	—	—	2,633
Gross (loss) profit	(41,246)	254,640	736	—	214,130
Commissions	—	52,922	—	—	52,922
General and administrative expenses	—	121,035	128	—	121,163
Depreciation and amortization	—	12,784	—	—	12,784
Operating (loss) income	(41,246)	67,899	608	—	27,261
Equity in loss of unconsolidated entities	—	(113)	—	—	(113)
Loss on extinguishment of debt	(4,636)	—	—	—	(4,636)
Other (expense) income, net	(59,458)	1,278	15	—	(58,165)
(Loss) income before income taxes	(105,340)	69,064	623	—	(35,653)
(Benefit from) provision for income taxes	(10,765)	7,058	218	—	(3,489)
Equity in income of subsidiaries	62,411	—	—	(62,411)	—
(Loss) income from continuing operations	(32,164)	62,006	405	(62,411)	(32,164)
(Loss) income from discontinued operations	—	(1,736)	32	—	(1,704)
Equity in loss of subsidiaries	(1,704)	—	—	1,704	—
Net (loss) income and comprehensive (loss) income	<u>\$ (33,868)</u>	<u>\$ 60,270</u>	<u>\$ 437</u>	<u>\$ (60,707)</u>	<u>\$ (33,868)</u>

**Beazer Homes USA, Inc.**  
**Consolidating Statements of Cash Flow Information**  
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
<b><i>Fiscal Year Ended September 30, 2015</i></b>					
Net cash (used in) provided by operating activities	\$ (388,584)	\$ 307,668	\$ (133)	\$ —	\$ (81,049)
Cash flows from investing activities:					
Capital expenditures	—	(15,964)	—	—	(15,964)
Investments in unconsolidated entities	—	(4,944)	—	—	(4,944)
Proceeds from sale of marketable securities and unconsolidated entities	—	24,245	—	—	24,245
Increases in restricted cash	(2,982)	(2,564)	—	—	(5,546)
Decreases in restricted cash	27,751	1,835	—	—	29,586
Advances to/from subsidiaries	302,569	—	25	(302,594)	—
Net cash used in investing activities	327,338	2,608	25	(302,594)	27,377
Cash flows from financing activities:					
Repayment of debt	(8,703)	(9,870)	—	—	(18,573)
Debt issuance costs	(126)	—	—	—	(126)
Borrowing from credit facility	75,000	—	—	—	75,000
Repayment of borrowing from credit facility	(75,000)	—	—	—	(75,000)
Payments for other financing activities	(200)	—	—	—	(200)
Dividends paid	500	—	(500)	—	—
Advances to/from subsidiaries	21	(300,897)	—	300,876	—
Net cash (used in) provided by financing activities	(8,508)	(310,767)	(500)	300,876	(18,899)
Decrease (increase) in cash and cash equivalents	(69,754)	(491)	(608)	(1,718)	(72,571)
Cash and cash equivalents at beginning of period	301,980	22,034	1,614	(1,474)	324,154
Cash and cash equivalents at end of period	\$ 232,226	\$ 21,543	\$ 1,006	\$ (3,192)	\$ 251,583



**Beazer Homes USA, Inc.**  
**Consolidating Statements of Cash Flow Information**  
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
<b><i>Fiscal Year Ended September 30, 2014</i></b>					
Net cash (used in) provided by operating activities	\$ (119,074)	\$ (41,429)	\$ 34	\$ —	\$ (160,469)
Cash flows from investing activities:					
Capital expenditures	—	(14,553)	—	—	(14,553)
Investments in unconsolidated entities	—	(5,218)	—	—	(5,218)
Return of capital from unconsolidated entities	—	1,703	—	—	1,703
Increases in restricted cash	(14,111)	(1,497)	—	—	(15,608)
Decreases in restricted cash	39	1,606	—	—	1,645
Advances to/from subsidiaries	(78,951)	—	—	78,951	—
Net cash provided by (used in) investing activities	(93,023)	(17,959)	—	78,951	(32,031)
Cash flows from financing activities:					
Repayment of debt	(305,061)	(2,541)	—	—	(307,602)
Proceeds from issuance of new debt	325,000	—	—	—	325,000
Debt issuance costs	(5,490)	—	—	—	(5,490)
Payments for other financing activities	287	—	—	—	287
Advances to/from subsidiaries	—	77,639	(57)	(77,582)	—
Net cash (used in) provided by financing activities	14,736	75,098	(57)	(77,582)	12,195
Increase (decrease) in cash and cash equivalents	(197,361)	15,710	(23)	1,369	(180,305)
Cash and cash equivalents at beginning of period	499,341	6,324	1,637	(2,843)	504,459
Cash and cash equivalents at end of period	\$ 301,980	\$ 22,034	\$ 1,614	\$ (1,474)	\$ 324,154
<b><i>Fiscal Year Ended September 30, 2013</i></b>					
Net cash (used in) provided by operating activities	\$ (89,306)	\$ (86,300)	\$ 964	\$ —	\$ (174,642)
Cash flows from investing activities:					
Capital expenditures	—	(10,761)	—	—	(10,761)
Investments in unconsolidated entities	—	(3,879)	—	—	(3,879)
Return of capital from unconsolidated entities	—	510	—	—	510
Increases in restricted cash	(3,460)	(1,330)	—	—	(4,790)
Decreases in restricted cash	208,487	585	—	—	209,072
Net cash provided by (used in) investing activities	205,027	(14,875)	—	—	190,152
Cash flows from financing activities:					
Repayment of debt	(184,250)	(473)	—	—	(184,723)
Proceeds from issuance of new debt	397,082	—	—	—	397,082
Repayment of cash secured loans	(205,000)	—	—	—	(205,000)
Debt issuance costs	(5,548)	—	—	—	(5,548)
Settlement of unconsolidated entity debt obligations	—	(500)	—	—	(500)
Payments for other financing activities	(157)	—	—	—	(157)
Advances to/from subsidiaries	(99,901)	100,257	27	(383)	—
Net cash provided by (used in) financing activities	(97,774)	99,284	27	(383)	1,154
Increase (decrease) in cash and cash equivalents	17,947	(1,891)	991	(383)	16,664
Cash and cash equivalents at beginning of period	481,394	8,215	646	(2,460)	487,795
Cash and cash equivalents at end of period	\$ 499,341	\$ 6,324	\$ 1,637	\$ (2,843)	\$ 504,459

## (20) Discontinued Operations

We continually review each of our markets in order to refine our overall investment strategy and to optimize capital and resource allocations in an effort to enhance our financial position and to increase stockholder value. This review entails an evaluation of both external market factors and our position in each market and over time has resulted in the decision to discontinue certain of our homebuilding operations.

We have classified the results of operations of our discontinued operations separately in the accompanying consolidated statements of income for all periods presented. There were no material assets or liabilities related to our discontinued operations as of September 30, 2015 or September 30, 2014. Discontinued operations were not segregated in the consolidated statements of cash flows. Therefore, amounts for certain captions in the consolidated statements of cash flows will not agree with the respective data in the consolidated statements of operations. The results of our discontinued operations in the consolidated statements of operations were as follows for the periods presented:

(In thousands)	Fiscal Year Ended September 30,		
	2015	2014	2013
Total revenue	\$ 1,030	\$ 3,864	\$ 288
Home construction and land sales expenses <sup>(a)</sup>	4,518	4,768	(319)
Inventory impairments and lot option abandonments	—	—	17
Gross (loss) profit	(3,488)	(904)	590
General and administrative expenses <sup>(b)</sup>	380	(351)	2,566
Operating loss	(3,868)	(553)	(1,976)
Other income (loss), net	5	8	77
Loss from discontinued operations before income taxes	(3,863)	(545)	(1,899)
Benefit from income taxes	(1,358)	(5)	(195)
Loss from discontinued operations, net of tax	\$ (2,505)	\$ (540)	\$ (1,704)

<sup>(a)</sup> The year ended September 30, 2015 includes a \$3.7 million expense related to the probable liability of a case regarding alleged past construction defects in our discontinued operations in Denver, Colorado.

<sup>(b)</sup> The year ended September 30, 2014 includes approximately \$1.9 million of recoveries received for legal fees related to outstanding matters in Denver, Colorado.

**(21) Selected Quarterly Financial Data (Unaudited)**

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

(In thousands, except per share data)

Fiscal 2015	Quarter Ended			
	December 31	March 31	June 30	September 30
<b>Total revenue</b>	\$ 265,764	\$ 299,359	\$ 429,438	\$ 632,852
<b>Gross profit <sup>(a)</sup></b>	35,218	53,913	76,108	107,205
<b>Operating (loss) income</b>	(9,490)	6,436	17,696	36,945
<b>Net (loss) income from continuing operations <sup>(b)</sup></b>	(18,086)	(2,060)	12,221	354,524
<b>Basic EPS from continuing operations</b>	\$ (0.68)	\$ (0.08)	\$ 0.46	\$ 11.42
<b>Diluted EPS from continuing operations</b>	\$ (0.68)	\$ (0.08)	\$ 0.38	\$ 11.16

Fiscal 2014

Total revenue	\$ 293,170	\$ 270,021	\$ 354,671	\$ 545,905
Gross profit <sup>(a)</sup>	54,670	52,172	68,804	87,813
Operating income	11,532	5,617	15,088	23,452
Net (loss) income from continuing operations <sup>(b)</sup>	(3,948)	(8,224)	(13,193)	60,288
Basic EPS from continuing operations	\$ (0.16)	\$ (0.32)	\$ (0.50)	\$ 2.28
Diluted EPS from continuing operations	\$ (0.16)	\$ (0.32)	\$ (0.50)	\$ 1.90

<sup>(a)</sup> Gross profit in fiscal 2015 and 2014 includes inventory impairment and option contract abandonments as follows:

(In thousands)	Fiscal 2015		Fiscal 2014	
1st Quarter	\$	—	\$	31
2nd Quarter		—		880
3rd Quarter		249		2,010
4th Quarter		2,860		5,386
	\$	<b>3,109</b>	\$	<b>8,307</b>

<sup>(b)</sup> Net (loss) income from continuing operations in fiscal 2015 and 2014 includes loss on extinguishment of debt (as follows).

(In thousands)	Fiscal 2015		Fiscal 2014	
1st Quarter	\$	—	\$	—
2nd Quarter		—		(153)
3rd Quarter		—		(19,764)
4th Quarter		(80)		—
	\$	<b>(80)</b>	\$	<b>(19,917)</b>

Additionally, net income from continuing operations for the quarter ended September 30, 2015 includes the \$335.2 million release of a substantial portion of the valuation allowance on our deferred tax assets; refer to discussion in Note 13.

**(22) Subsequent Event**

Subsequent to September 30, 2015, we executed a second amendment (the Second Amendment) to our Secured Revolving Credit Facility. The Second Amendment, among other things, extends the termination date of the Facility to January 15, 2018 and increases its capacity from \$130.0 million to \$145.0 million. The Facility, which also allows us to issue letters of credit against the undrawn capacity, will continue to be with three lenders.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of Beazer Homes USA, Inc. and subsidiaries (the "Company") as of September 30, 2015 and 2014, and the related consolidated statements of income (loss) and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2015. These 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 the 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, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 10, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Atlanta, Georgia  
November 10, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Beazer Homes USA, Inc. and subsidiaries (the "Company") as of September 30, 2015, based on criteria established in *Internal Control- Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended September 30, 2015 of the Company and our report dated November 10, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Atlanta, Georgia  
November 10, 2015

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

None.

### Item 9A. Controls and Procedures

#### *Disclosure Controls and Procedures*

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of September 30, 2015, at a reasonable assurance level.

Attached as exhibits to this Annual Report on Form 10-K are certifications of our CEO and CFO, which are required by Rule 13a-14 of the Act. This Disclosure Controls and Procedures section includes information concerning management's evaluation of disclosure controls and procedures referred to in those certifications and, as such, should be read in conjunction with the certifications of the CEO and CFO.

#### *Management's Report on Internal Control over Financial Reporting*

Beazer Homes USA, Inc.'s management is responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officer and effected by Beazer Homes USA, Inc.'s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2015, utilizing the criteria described in the "Internal Control - Integrated Framework" issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The objective of this assessment was to determine whether the Company's internal control over financial reporting was effective as of September 30, 2015. Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of September 30, 2015. The effectiveness of our internal control over financial reporting as of September 30, 2015 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in their report, which is included in "Part II - Item 8 - Financial Statements and Supplementary Data."

#### *Changes in Internal Control Over Financial Reporting*

There have been no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### *Inherent Limitations over Internal Controls*

Our system of controls is designed to provide reasonable, not absolute, assurance regarding the reliability and integrity of accounting and financial reporting. Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following:

Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.

Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override.

The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures.

The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

#### **Item 9B. Other Information**

On November 6, 2015, the Company executed a Second Amendment (the Second Amendment) to its Second Amended and Restated Credit Agreement originally dated September 24, 2012 (as previously amended pursuant to the First Amendment dated November 10, 2014), by and among the Company and certain of its subsidiaries, the lenders and Credit Suisse AG, Cayman Islands Branch, as agent. The Second Amendment, among other things, increases the maximum aggregate amount of the Company's Secured Revolving Credit Facility from \$130.0 million to \$145.0 million and extends its termination date to January 15, 2018. The Second Amendment also modifies certain provisions relating to the calculation of the interest rate set forth in the Company's Secured Revolving Credit Facility, including certain definitions related thereto. The foregoing description of the Second Amendment is a general description and is qualified in its entirety by reference to the Second Amendment attached to this Form 10-K as Exhibit 10.34 and incorporated by reference herein.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

#### Executive Officers

The information required by this item is incorporated by reference to our proxy statement for our 2016 Annual Meeting of Stockholders, which is expected to be filed on or before January 28, 2016.

#### Code of Ethics

Beazer Homes has adopted a Code of Business Conduct and Ethics (the "Code") for its senior financial officers, which applies to its principal executive officer, principal financial officer, principal accounting officer and other senior financial officers. In November 2015, the Company's Board of Directors amended the Code. The full text of the Code, as amended, can be found on the Company's website at [www.beazer.com](http://www.beazer.com). If at any time there is an amendment or waiver of any provision of the Code that is required to be disclosed, information regarding such amendment or waiver will be published on the Company's website.

### Item 11. Executive Compensation

The information required by this item is incorporated by reference to our proxy statement for our 2016 Annual Meeting of Stockholders, which is expected to be filed on or before January 28, 2016.

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

The information relating to securities authorized for issuance under equity compensation plans is set forth above in Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. All of the other information required by this item is incorporated by reference to our proxy statement for our 2016 Annual Meeting of Stockholders, which is expected to be filed on or before January 28, 2016.

### Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference to our proxy statement for our 2016 Annual Meeting of Stockholders, which is expected to be filed on or before January 28, 2016.

### Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to our proxy statement for our 2016 Annual Meeting of Stockholders, which is expected to be filed on or before January 28, 2016.

### Item 15. Exhibits and Financial Statement Schedules

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

#### (a) 1. Financial Statements

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<a href="#">Consolidated Balance Sheets as of September 30, 2015 and 2014</a>	40
<a href="#">Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the fiscal years ended September 30, 2015, 2014 and 2013</a>	41
<a href="#">Consolidated Statements of Stockholders' Equity for the fiscal years ended September 30, 2015, 2014 and 2013</a>	42
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#### 2. Financial Statement Schedules

None required.

#### 3. Exhibits

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

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	— Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-K for the year ended September 30, 2008)
3.2	— Certificate of Amendment, dated April 13, 2010, to the Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended March 31, 2010)
3.3	— Certificate of Amendment, dated February 3, 2011, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on February 8, 2011)
3.4	— Certificate of Amendment, dated October 11, 2012, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on October 12, 2012)
3.5	— Certificate of Amendment, dated February 2, 2013, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on February 5, 2013)
3.6	— Certificate of Amendment, dated November 6, 2013, to the Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on November 7, 2013)
3.7	— Fourth Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.3 of the Company's Form 10-K for the year ended September 30, 2010)
4.1	— Specimen Physical Common Stock Certificate of Beazer Homes USA, Inc.

- 4.2 — Indenture, dated as of April 17, 2002 among the Company, the Guarantors party thereto and U.S. Bank Trust National Association, as trustee (incorporated herein by reference to Exhibit 4.11 of the Company's Registration Statement on Form S-4 filed on July 16, 2002)
- 4.3 — Seventh Supplemental Indenture, dated January 9, 2006, to the Indenture dated as of April 17, 2002 (incorporated herein by referenced to Exhibit 99.2 of the Company's Form 8-K filed on January 17, 2006)
- 4.4 — Eighth Supplemental Indenture, dated June 6, 2006, to the Indenture dated April 17, 2002, by and among the Company, the guarantors named therein and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on June 8, 2006)
- 4.5 — Form of 8.125% Senior Note due 2016 (incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on June 8, 2006)
- 4.6 — Form of Junior Subordinated Indenture, dated June 15, 2006, between the Company and JPMorgan Chase Bank, National Association (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on June 21, 2006)
- 4.7 — Form of Amended and Restated Trust Agreement, dated June 15, 2006, among the Company, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association, and certain individuals named therein as Administrative Trustees (incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on June 21, 2006)
- 4.8 — Ninth Supplemental Indenture, dated October 26, 2007, amending and supplementing the Indenture dated April 17, 2002, by and among Beazer Homes USA, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 10.3 of the Company's Form 8-K filed on October 30, 2007)
- 4.9 — Junior Subordinated Indenture between Beazer Homes USA, Inc. and Wilmington Trust Company, as trustee, dated as of January 15, 2010 (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K dated January 21, 2010)
- 4.10 — Fourteenth Supplemental Indenture, dated November 12, 2010, to the Indenture dated April 17, 2002, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (includes the form of 9.125% Senior Note due 2019) (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on November 18, 2010)
- 4.11 — Fifteenth Supplemental Indenture, dated July 22, 2011, to the Indenture dated April 17, 2002, between the Company and U.S. Bank National Association, as trustee, amending and supplementing the Thirteenth Supplemental Indenture, dated May 20, 2010, and the Fourteenth Supplemental Indenture, dated November 12, 2010 (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 2011)
- 4.12 — Indenture for 6.625% Senior Secured Notes due 2018, dated July 18, 2012, by and among the Company, the subsidiary guarantors party thereto, U.S. Bank National Association, as trustee, and Wilmington Trust, National Association, as Collateral Agent (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on July 19, 2012)
- 4.13 — Indenture for 7.250% Senior Secured Notes due 2023, dated February 1, 2013, by and among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on February 5, 2013)
- 4.14 — Form of 7.250% Senior Secured Note due 2023 (incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on February 5, 2013)
- 4.15 — Indenture for 7.500% Senior Notes due 2021, dated September 30, 2013, by and among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on October 1, 2013)
- 4.16 — Form of 7.500% Senior Note due 2021 (incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on October 1, 2013)
- 4.17 — Registration Rights Agreement for 7.500% Senior Notes due 2021, dated September 30, 2013, by and among the Company, the subsidiary guarantors party thereto and Credit Suisse Securities (USA) LLC (incorporated herein by reference to Exhibit 4.3 of the Company's Form 8-K filed on October 1, 2013)
- 4.18 — Section 382 Rights Agreement, dated as of November 6, 2013, and effective as of November 12, 2013, between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on November 7, 2013)
- 4.19 — Seventeenth Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.2(i) to the Company's Form S-4 filed on June 10, 2014 (File No. 333-196637))

- 4.20 — Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee, related to the Company's 6.625% Senior Secured Notes due 2018 (incorporated herein by reference to Exhibit 4.5(c) to the Company's Form S-4 filed on June 10, 2014 (File No. 333-196637))
- 4.21 — Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee, related to the Company's 7.250% Senior Notes due 2023 (incorporated herein by reference to Exhibit 4.6(c) to the Company's Form S-4 filed on June 10, 2014 (File No. 333-196637))
- 4.22 — Supplemental Indenture, dated April 2, 2014, between Beazer-Inspirada LLC and U.S. Bank National Association, as trustee, related to the Company's 7.500% Senior Notes due 2021 (incorporated herein by reference to Exhibit 4.7(c) to the Company's Form S-4 filed on June 10, 2014 (File No. 333-196637))
- 4.23 — Indenture for 5.750% Senior Notes due 2019, dated April 8, 2014, by and among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on April 9, 2014)
- 4.24 — Form of 5.750% Senior Note due 2019 (incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on April 9, 2014)
- 4.25 — Registration Rights Agreement for 5.750% Senior Notes due 2019, dated April 8, 2014, by and among the Company, the subsidiary guarantors party thereto and Citigroup Global Markets Inc., as representative of the initial purchasers named therein (incorporated herein by reference to Exhibit 4.3 of the Company's Form 8-K filed on April 9, 2014)
- 10.1\* — Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K for the year ended September 30, 2003)
- 10.2\* — Amended and Restated 1999 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 2008)
- 10.3\* — Second Amended and Restated Corporate Management Stock Purchase Program (incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-K for the year ended September 30, 2007)
- 10.4\* — Director Stock Purchase Program (incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-K for the year ended September 30, 2004)
- 10.5\* — Form of Stock Option and Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.8 of the Company's Form 10-K for the year ended September 30, 2004)
- 10.6\* — Form of Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.9 of the Company's Form 10-K for the year ended September 30, 2004)
- 10.7\* — Form of Amended and Restated 1999 Stock Incentive Plan Award Agreement for Performance Share Awards, dated as of February 2, 2006 (incorporated herein by reference to Exhibit 10.18 of the Company's Form 10-Q for the quarter ended March 31, 2006)
- 10.8\* — Form of Amended and Restated 1999 Stock Incentive Plan Award Agreement for Option and Restricted Stock Awards, dated as of February 2, 2006 (incorporated herein by reference to Exhibit 10.19 of the Company's Form 10-Q for the quarter ended March 31, 2006)
- 10.9\* — Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on July 1, 2008)
- 10.10\* — 2008 Beazer Homes USA, Inc. Deferred Compensation Plan, adopted effective January 1, 2008 (incorporated herein by reference to Exhibit 10.27 of the Company's Form 10-K for the fiscal year ended September 30, 2007)
- 10.11\* — Discretionary Employee Bonus Plan (incorporated herein by reference to Exhibit 10.28 of the Company's Form 10-K for the fiscal year ended September 30, 2007)
- 10.12\* — 2010 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended March 31, 2010)
- 10.13\* — Form of 2010 Equity Incentive Plan Employee Award Agreement for Option and Restricted Stock Awards (incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2010)
- 10.14\* — Form of 2010 Equity Incentive Plan Award Agreement for Option and Restricted Stock Awards (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 2010)
- 10.15\* — Form of 2010 Equity Incentive Plan Award Agreement for Option and Restricted Stock Awards (Named Executive Officers) dated as of November 16, 2011 (incorporated herein by reference to Exhibit 10.1 of the Company's 8-K filed on November 22, 2011)

10.16*	—	Form of 2010 Equity Incentive Plan Performance Cash Award Agreement (Named Executive Officers) (incorporated herein by reference to Exhibit 10.1 of the Company's 10-Q for the quarter ended December 31, 2012)
10.17*	—	2014 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on February 10, 2014)
10.18*	—	Award Agreement for Restricted Stock, effective as of September 18, 2014, by and between Allan P. Merrill and the Company (incorporated herein by reference to Exhibit 10.10 of the Company's Form 10-K filed on November 13, 2014)
10.19*	—	Award Agreement for Restricted Stock, effective as of September 18, 2014, by and between Robert L. Salomon and the Company (incorporated herein by reference to Exhibit 10.19 of the Company's Form 10-K filed on November 13, 2014)
10.20*	—	Award Agreement for Restricted Stock, effective as of September 18, 2014, by and between Kenneth F. Khoury and the Company (incorporated herein by reference to Exhibit 10.20 of the Company's Form 10-K filed on November 13, 2014)
10.21*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Restricted Stock Awards (Named Executive Officers) (incorporated herein by reference to Exhibit 10.21 of the Company's Form 10-K filed on November 13, 2014)
10.22*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for TSR Performance Share Awards (Named Executive Officers) (incorporated herein by reference to Exhibit 10.22 of the Company's Form 10-K filed on November 13, 2014)
10.23*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Pre-Tax Income Performance Share Awards (Named Executive Officers) (incorporated herein by reference to Exhibit 10.23 of the Company's Form 10-K filed on November 13, 2014)
10.24*	—	Form of 2014 Long-Term Incentive Plan Award Agreement for Restricted Stock Awards (Non-Employee Directors) (incorporated herein by reference to Exhibit 10.24 of the Company's Form 10-K filed on November 13, 2014)
10.25*	—	Employment Agreement, effective as of September 18, 2014, by and between Allan P. Merrill and the Company (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on September 22, 2014)
10.26*	—	Employment Agreement, effective as of September 18, 2014, by and between Robert L. Salomon and the Company (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed on September 22, 2014)
10.27*	—	Employment Agreement, effective as of September 18, 2014, by and between Kenneth F. Khoury and the Company (incorporated herein by reference to Exhibit 10.3 of the Company's Form 8-K filed on September 22, 2014)
10.28	—	Delayed-Draw Term Loan Facility, dated November 16, 2010, among Beazer Homes USA, Inc., Citibank, N.A. and Citigroup Global Markets Inc. (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on November 18, 2010)
10.29	—	Delayed-Draw Term Loan Facility, dated November 16, 2010, among Beazer Homes USA, Inc., Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed on November 18, 2010)
10.30	—	First Amendment to the Delayed-Draw Term Loan Facility, dated as of November 16, 2010, by and between Beazer Homes USA, Inc. and Citibank, N.A. (incorporated herein by reference to Exhibit 10.2 of the Company's 8-K filed on August 9, 2012)
10.31	—	First Amendment to the Delayed-Draw Term Loan Facility, dated as of November 16, 2010, by and between Beazer Homes USA, Inc. and Deutsche Bank AG Cayman Islands Branch (incorporated herein by reference to Exhibit 10.3 of the Company's 8-K filed on August 9, 2012)
10.32	—	Second Amended and Restated Credit Agreement, dated as of September 24, 2012, between Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent (incorporated herein by reference to Exhibit 10.1 of the Company's 8-K filed on September 26, 2012)
10.33	—	First Amendment to Second Amended and Restated Credit Agreement, dated as of November 10, 2014, between Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent (incorporated herein by reference to Exhibit 10.33 of the Company's Form 10-K filed on November 13, 2014)
10.34	—	Second Amendment to Second Amended and Restated Credit Agreement, dated as of November 6, 2015, between Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent.
21	—	Subsidiaries of the Company

23	—	Consent of Deloitte & Touche LLP
31.1	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	—	The following financial statements from Beazer Homes USA, Inc.'s Annual Report on Form 10-K for the period ended September 30, 2015, filed on November 10, 2015, formatted in XBRL (Extensible Business Reporting Language); (i) Consolidated Statements of Operations and Comprehensive Income (Loss), (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements

\* Represents a management contract or compensatory plan or arrangement.

**(b) Exhibits**

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

4.1	—	Specimen Physical Common Stock Certificate of Beazer Homes USA, Inc.
10.34	—	Second Amendment to Second Amended and Restated Credit Agreement, dated as of November 6, 2015, between Beazer Homes USA, Inc., as borrower, the lenders party thereto, the issuers party thereto, and Credit Suisse AG, Cayman Islands Branch, as agent.
21	—	Subsidiaries of the Company
23	—	Consent of Deloitte & Touche LLP
31.1	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	Certification pursuant to 17 CFR 240.13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	—	The following financial statements from Beazer Homes USA, Inc.'s Annual Report on Form 10-K for the period ended September 30, 2015, filed on November 10, 2015, formatted in XBRL (Extensible Business Reporting Language); (i) Consolidated Statements of Operations and Comprehensive Income (Loss), (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements

\* Represents a management contract or compensatory plan or arrangement.

**(c) Financial Statement Schedules**

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

**SIGNATURES**

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

Date: November 10, 2015

Beazer Homes USA, Inc.

By: /s/ Allan P. Merrill

Name: Allan P. Merrill

**President and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: November 10, 2015

By: /s/ Stephen P. Zelnak

Name: Stephen P. Zelnak, Jr.

**Director and Non-Executive Chairman of the Board**

Date: November 10, 2015

By: /s/ Allan P. Merrill

Name: Allan P. Merrill

**President, Chief Executive Officer and Director**

Date: November 10, 2015

By: /s/ Elizabeth S. Acton

Name: Elizabeth S. Acton

**Director**

Date: November 10, 2015

By: /s/ Laurent Alpert

Name: Laurent Alpert

**Director**

Date: November 10, 2015

By: /s/ Brian C. Beazer

Name: Brian C. Beazer

**Director and Chairman Emeritus**

Date: November 10, 2015

By: /s/ Peter G. Leemputte

Name: Peter G. Leemputte

**Director**

Date: November 10, 2015

By: /s/ Norma Provencio

Name: Norma Provencio

**Director**

Date: November 10, 2015

By: /s/ Larry T. Solari

Name: Larry T. Solari

**Director**

Date: November 10, 2015

By: /s/ Robert L. Salomon

Name: Robert L. Salomon

**Executive Vice President and Chief Financial Officer**

COMMON STOCK

PAR VALUE \$0.001 PER SHARE

BH



INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

# BEAZER HOMES USA, INC.

SEE REVERSE FOR CERTAIN DEFINITIONS  
CUSIP 07556Q 88...

THIS CERTIFIES THAT

# SPECIMEN

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF

Beazer Homes USA, Inc. transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

*Alta P. Merrill*  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



*Kenneth...*  
EXECUTIVE VICE PRESIDENT,  
GENERAL COUNSEL AND SECRETARY

BY  
AUTHORIZED SIGNATURE  
COUNTERSIGNED AND REGISTERED  
AMERICAN STOCK TRANSFER & TRUST COMPANY, L.L.C.  
(TRANSFER AGENT AND REGISTRAR)  
(INDIANAPOLIS, IN)

**BEAZER HOMES USA, INC.**

The Corporation will furnish without charge to each stockholder who so requests a statement of the voting powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof of the Corporation, and the qualifications, limitations or restrictions of such preferences and/or rights. Such request should be addressed to the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	-	as tenants in common	UNIF GIFT MIN ACT -	_____Custodian _____
TEN ENT	-	as tenants by the entireties		(Cust) (Minor)
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common		under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

For value received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

[Empty box for Social Security or other identifying number of assignee]

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

\_\_\_\_\_ shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED (THE "CERTIFICATE OF INCORPORATION"), OF BEAZER HOMES USA, INC. (THE "CORPORATION") CONTAINS RESTRICTIONS PROHIBITING THE TRANSFER (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) OF STOCK OF THE CORPORATION (INCLUDING THE CREATION OR GRANT OF CERTAIN OPTIONS, RIGHTS AND WARRANTS) WITHOUT THE PRIOR AUTHORIZATION OF THE BOARD OF DIRECTORS OF THE CORPORATION (THE "BOARD OF DIRECTORS") IF SUCH TRANSFER AFFECTS THE PERCENTAGE OF STOCK OF THE CORPORATION (WITHIN THE MEANING OF SECTION 382 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER), THAT IS TREATED AS OWNED BY A 4.95 PERCENT STOCKHOLDER (AS DEFINED IN THE CERTIFICATE OF INCORPORATION). IF THE TRANSFER RESTRICTIONS ARE VIOLATED, THEN THE TRANSFER WILL BE VOID AB INITIO AND THE PURPORTED TRANSFEREE OF THE STOCK WILL BE REQUIRED TO TRANSFER EXCESS SECURITIES (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) TO THE CORPORATION'S AGENT. IN THE EVENT OF A TRANSFER WHICH DOES NOT INVOLVE SECURITIES OF THE CORPORATION WITHIN THE MEANING OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE ("SECURITIES") BUT WHICH WOULD VIOLATE THE TRANSFER RESTRICTIONS, THE PURPORTED TRANSFEREE (OR THE RECORD OWNER) OF THE SECURITIES WILL BE REQUIRED TO TRANSFER SUFFICIENT SECURITIES PURSUANT TO THE TERMS PROVIDED FOR IN THE CORPORATION'S CERTIFICATE OF INCORPORATION TO CAUSE THE 4.95 PERCENT STOCKHOLDER TO NO LONGER BE IN VIOLATION OF THE TRANSFER RESTRICTIONS. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF RECORD OF THIS CERTIFICATE A COPY OF THE CERTIFICATE OF INCORPORATION, CONTAINING THE ABOVE-REFERENCED TRANSFER RESTRICTIONS, UPON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS.

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS OR SERIES OF STOCK AND THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL, OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER HEREOF TO CERTAIN RIGHTS AS SET FORTH IN THE SECTION 382 RIGHTS AGREEMENT BETWEEN BEAZER HOMES USA, INC. AND AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC (THE "RIGHTS AGENT") (THE "RIGHTS AGREEMENT"), THE TERMS OF WHICH ARE HEREBY INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICES OF THE RIGHTS AGENT. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS WILL BE EVIDENCED BY SEPARATE CERTIFICATES AND WILL NO LONGER BE EVIDENCED BY THIS CERTIFICATE. THE RIGHTS AGENT WILL MAIL TO THE HOLDER OF THIS CERTIFICATE A COPY OF THE RIGHTS AGREEMENT, AS IN EFFECT ON THE DATE OF MAILING, WITHOUT CHARGE PROMPTLY AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR. UNDER CERTAIN CIRCUMSTANCES SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS ISSUED TO, OR HELD BY, ANY PERSON WHO IS, WAS OR BECOMES AN ACQUIRING PERSON OR ANY AFFILIATE OR ASSOCIATE THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT), WHETHER CURRENTLY HELD BY OR ON BEHALF OF SUCH PERSON OR BY ANY SUBSEQUENT HOLDER, MAY BECOME NULL AND VOID.



**SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT**

This SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of November 6, 2015 (this "Amendment"), is entered into by and among BEAZER HOMES USA, INC., a Delaware corporation (together with its successors and assigns, the "Borrower"), the Lenders and Issuers party hereto, CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, acting through one or more of its branches or affiliates, as agent (in such capacity and together with its successors, the "Agent"), and the other parties signatory hereto.

**WITNESSETH:**

WHEREAS, the Borrower has entered into that certain Second Amended and Restated Credit Agreement, dated as of September 24, 2012 (as amended by that certain First Amendment to Second Amended and Restated Credit Agreement, dated as of November 10, 2014 and as further amended, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement"; the Credit Agreement as amended by this Amendment is hereinafter referred to as the "Amended Credit Agreement"), among the Borrower, the Lenders party thereto, the Agent and the other agents and parties party thereto from time to time;

WHEREAS, pursuant to the Credit Agreement, the Lenders have extended credit to the Borrower on the terms and conditions set forth therein;

WHEREAS, the Borrower has requested certain amendments to the Credit Agreement as set forth below, including, without limitation, changes to certain covenants (and related defined terms) contained therein;

WHEREAS, subject to satisfaction of the conditions set forth in Section 3.1 of this Amendment, each Lender and Issuer that executes and delivers a signature page to this Amendment as an "Extending Lender" (each an "Extending Lender") and/or "Extending Issuer" (each an "Extending Issuer") will have agreed, upon the Second Amendment Effective Date, to extend the Termination Date with respect to its Commitments to January 15, 2018 and to the other terms of this Amendment, in each case, as further set forth herein;

WHEREAS, certain Lenders and Issuers have agreed with the Borrower to have their respective Commitment increased (such Lenders, the "Increased Commitment Lenders" and such Issuers, the "Increased Commitment Issuers"), in each case, as further described in Section 2.2 hereof; and

WHEREAS, the Borrower, the Lenders and the Issuers have agreed to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

NOW, THEREFORE, it is agreed as follows:

## ARTICLE 1

Definitions

Section 1.1 Defined Terms. Terms defined in the Credit Agreement and used herein shall have the meanings assigned to such terms in the Credit Agreement, unless otherwise defined herein or the context otherwise requires.

## ARTICLE 2

### Amendments

The Credit Agreement is hereby amended as set forth in this Article 2.

Section 2.1 Amended Credit Agreement. The Credit Agreement is hereby amended and modified in its entirety from and after the Second Amendment Effective Date as reflected in the Amended Credit Agreement attached hereto as Annex I. Any provision of the Credit Agreement which is different from that set forth in the Amended Credit Agreement from and after the Second Amendment Effective Date shall be superseded in all respects by the provisions of the Amended Credit Agreement.

Section 2.2 Increased Commitments; Credit Agreement Schedule. The Commitment of (i) Credit Suisse AG, Cayman Islands Branch, as a Lender and an Issuer, is hereby increased by \$8,000,000 and (ii) Goldman Sachs Lending Partners LLC, as a Lender, and Goldman Sachs Bank USA, as an Issuer, is hereby increased by \$7,000,000 (such increase with respect to each such Lender, the "Increased Commitment Amount"). The Credit Agreement is hereby amended by amending and restating Schedule I thereto in the form of Schedule II to this Amendment in order to reflect the foregoing reduction and increases in Commitments.

## ARTICLE 3

### Miscellaneous

Section 3.1 Conditions to Effectiveness. This Amendment shall become effective as of the date (the "Second Amendment Effective Date") on which:

(a) Amendment. The Agent shall have received duly executed and delivered counterparts of this Amendment no later than 5:00 p.m. (New York time) on November 6, 2015 that, when taken together, bear the signatures of the Borrower, the Lenders and the Issuers;

(b) Secretary Certificate of the Borrower. The Agent shall have received a certificate of the Secretary of the Borrower certifying (A) the names and true signatures of each officer of the Borrower who has been authorized to execute and deliver this Amendment and any other Loan Document or other document required to be executed and delivered by or on behalf of the Borrower under this Amendment, (B) that the attached copies of the certificate of incorporation of the Borrower (which has been certified as of a recent date by the Secretary of State of Delaware) and the bylaws of the Borrower, have not been amended except as set forth therein and remain in full force and effect and (C) the attached copy of resolutions of the Board of Directors of the Borrower approving and authorizing the execution, delivery and performance of this Amendment and any other Loan Document or other document required to be executed and delivered on behalf of the Borrower under this Amendment;

(c) Good Standing Certificates of the Borrower. The Agent shall have received a recently dated certificate of good standing for the Borrower issued by the Secretary of State of Delaware;

(d) Opinions of Counsel. The Agent shall have received, on behalf of itself, the Lenders and the Issuers, the favorable written opinions of (A) King & Spalding LLP, counsel for the Borrower and for certain of the Guarantors and (B) the local counsel listed on Annex II hereto (or such other local counsel as shall be reasonably acceptable to the Agent), in each case (w) dated on the Second Amendment Effective Date, (x) addressed to the Agent, the Lenders and the Issuers, (y) in form and substance reasonably satisfactory to the Agent, and (z) covering such matters relating to this Amendment and the transactions contemplated hereby as the Agent shall reasonably request, and the Borrower and the applicable Guarantors hereby request such counsel to deliver such opinions;

(e) No Default. On the date hereof and on the Second Amendment Effective Date (both before and after giving effect to this Amendment), no Default or Event of Default shall have occurred and be continuing;

(f) Accuracy of Representations and Warranties. Each of the representations and warranties set forth in Article IV of the Credit Agreement, each other Loan Document and Section 3.3 of this Amendment shall be correct in all material respects on and as of the Second Amendment Effective Date as though made on and as of such date, except to the extent that any such representations and warranties are stated to relate solely to an earlier date, in which case such representations and warranties are correct in all material respects as of such earlier date, provided that in each case, any representations and warranties that are qualified as to “materiality” or “material adverse effect” are true and correct in all respects;

(g) Acknowledgment and Confirmation. The Agent shall have received the Acknowledgment and Confirmation, substantially in the form of Exhibit A hereto (the “Acknowledgement”), dated as of the Second Amendment Effective Date, executed and delivered by an authorized officer or other authorized signatory of each Guarantor; and

(h) Effectiveness Fee and Expenses. The Borrower shall have paid to the Agent on the Second Amendment Effective Date (i) for the account of each Lender, a consent fee equal to the sum of (A) 0.15% of such Lender’s Commitment immediately prior to the effectiveness of this Amendment and (B) 0.35% of such Lender’s Increased Commitment Amount and (ii) all reasonable and documented fees, out-of-pocket costs and expenses of the Agent incurred in connection with this Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees, charges and disbursements of Latham & Watkins LLP, counsel for the Agent.

Section 3.2 Conditions Subsequent. The Borrower will, and will cause each other Loan Party to, satisfy the requirements set forth on Schedule I to this Amendment on or before the date specified for such requirement (or such later date as agreed to by the Agent in its sole discretion). The failure by the Borrower to complete, or cause to be completed, any such item within the applicable time period for such item set forth on Schedule I to this Amendment (including any extension of any such time period as contemplated hereby) shall constitute an Event of Default if such failure shall continue for a period of thirty (30) consecutive days after delivery of written notice thereof from the Agent to the Borrower.

Section 3.3 Representations and Warranties. To induce the other parties hereto to enter into this Amendment, the Borrower represents and warrants to each of the Agent and the Lenders that:

(a) Each of the representations and warranties set forth in Article IV of the Credit Agreement and in each other Loan Document are correct in all material respects on and as of the Second Amendment Effective Date as though made on and as of such date, except to the extent that any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or

warranty is correct in all material respects as of such earlier date, provided that in each case, any representation or warranty that is qualified as to “materiality” or “material adverse effect” is true and correct in all respects;

(b) As of the date hereof, the Borrower has the corporate power and authority, and the legal right, to enter into and perform this Amendment. The execution, delivery and performance of this Amendment have been duly authorized by all necessary corporate action on the part of such party. The execution and delivery by such party of this Amendment, and performance by such party of the Credit Agreement as amended hereby, will not (a) contravene such corporation’s charter or bylaws, (b) violate, in any material respect, any provision of any law, rule, regulation (including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System) order, writ, judgment, injunction, decree, determination, or award presently in effect having applicability to such party, (c) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease, or instrument to which such corporation is a party or by which it or its properties may be bound or affected, (d) result in, or require, the creation or imposition of any Lien, upon or with respect to any of the properties now owned or hereafter acquired by such corporation, other than Liens securing the Obligations; or (e) cause such corporation, partnership or limited liability company to be in default, in any material respect, under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award or any such indenture, agreement, lease or instrument. This Amendment constitutes a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors’ rights generally;

(c) The Acknowledgement, when executed and delivered by each Guarantor party thereto, will constitute a legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors’ rights generally;

(d) On the date hereof and on the Second Amendment Effective Date (both before and after giving effect to this Amendment), no Default or Event of Default has occurred and is continuing; and

Section 3.4 Severability. In the event any one or more of the provisions contained in this Amendment should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 3.5 Continuing Effect; No Other Waivers or Amendments.

(a) This Amendment shall not constitute an amendment to or waiver of any provision of the Credit Agreement and the other Loan Documents except as expressly stated herein and shall not be construed as a consent to any action on the part of the Borrower or any other Subsidiary that would require an amendment, waiver or consent of the Agent or the Lenders except as expressly stated herein. Except as expressly amended or waived hereby, the provisions of the Credit Agreement and the other Loan Documents are and shall remain in full force and effect in accordance with their terms.

(b) The parties hereto acknowledge and agree that (i) this Amendment and any other Loan Documents executed and delivered in connection herewith do not constitute a novation, or termination of the “Obligations” (as defined in the Loan Documents) under the Credit Agreement as in effect prior to the Second Amendment Effective Date; (ii) such “Obligations” are in all respects continuing (as amended hereby) with only the terms thereof being modified to the extent provided in this Amendment; and (iii) the Liens and security interests as granted under the Loan Documents securing payment of such “Obligations” are in all such respects continuing in full force and effect and secure the payments of the “Obligations”.

(c) On and after the Second Amendment Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import, shall mean and be a reference to the Credit Agreement as amended hereby, and this Amendment and the Credit Agreement shall be read together and construed as a single instrument. This Amendment shall be a Loan Document for all purposes under the Credit Agreement.

(d) For purposes of determining withholding Taxes imposed under FATCA, from and after the effective date of this Amendment, the Borrower and the Agent shall treat (and the Lenders hereby authorize the Agent to treat) the Amended Credit Agreement as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i) or 1.471-2T(b)(2)(i).

Section 3.6 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties to this Amendment in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Amendment. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or other electronic image shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 3.7 GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

\* \* \*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

BEAZER HOMES USA, INC.

By:           /s/ Robert L. Salomon            
Name: Robert L. Salomon  
Title: Executive Vice President and Chief  
Financial Officer

[Signature Page to Second Amendment to Second Amended and Restated Credit Agreement (Beazer Homes)]

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Agent

By: /s/ Bill O'Daly  
Name: Bill O'Daly  
Title: Authorized Signatory

By: /s/ Sean MacGregor  
Name: Sean MacGregor  
Title: Authorized Signatory

[Signature Page to Second Amendment to Second Amended and Restated Credit Agreement (Beazer Homes)]

**LENDER AND ISSUER:**

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as an Extending Lender, an Extending Issuer, an Increased Commitment Lenders and an Increased Commitment Issuer

By: /s/ Bill O'Daly  
Name: Bill O'Daly  
Title: Authorized Signatory

By: /s/ Sean MacGregor  
Name: Sean MacGregor  
Title: Authorized Signatory

[Signature Page to Second Amendment to Second Amended and Restated Credit Agreement (Beazer Homes)]







FORM OF ACKNOWLEDGMENT AND CONFIRMATION

1. Reference is made to the Second Amendment to Second Amended and Restated Credit Agreement, dated as of November 6, 2015 (the "Amendment"), by and among the Borrower, the Agent and the Lenders party thereto. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Amendment or the Credit Agreement referenced in the Amendment, as the case may be.

2. Each of the undersigned hereby (a) acknowledges receipt of a copy of the Amendment and (b) consents to and approves the execution, delivery and performance of the Amendment and the performance of the Credit Agreement as amended by the Amendment.

3. After giving effect to the Amendment and the amendments and modifications to the Loan Documents effectuated by the Amendment (collectively, the "Modifications"), each of the undersigned ratifies, reaffirms and agrees (i) that the Amendment and any other Loan Documents executed and delivered in connection therewith do not constitute a novation, or termination of the "Obligations" under and as defined in the Credit Agreement as in effect prior to the Second Amendment Effective Date, (ii) that such "Obligations" are in all respects continuing (as amended thereby) with only the terms thereof being modified to the extent provided in the Amendment, (iii) to perform all of its obligations under each Loan Document to which it is a party (whether as original signatory thereto, by supplement thereto, by operation of law or otherwise), and (iv) that all such obligations remain in full force and effect.

4. After giving effect to the Amendment and the Modifications effectuated thereby, each of the undersigned, with respect to each Loan Document to which it is a party (a) reaffirms and ratifies its unconditional guarantee of the full and punctual payment and performance of the Obligations as further set forth in the Guaranty, (b) reaffirms and ratifies the Liens and security interests granted by the undersigned under such Loan Document and (c) confirms and acknowledges that the Liens and security interests granted by the undersigned under such Loan Document remain in full force and effect and secure the payments of the "Obligations".

5. After giving effect to the Amendment and the Modifications effectuated thereby, each of the undersigned agrees that, from and after the Second Amendment Effective Date, each reference to "the Credit Agreement" in the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended by the Amendment.

6. THIS ACKNOWLEDGMENT AND CONFIRMATION SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

7. This Acknowledgment and Confirmation may be executed in any number of counterparts and by the different parties to this Acknowledgement and Confirmation in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Acknowledgement and Confirmation. Delivery of an executed counterpart of a signature page to this Acknowledgement and Confirmation by facsimile or other electronic image shall be effective as delivery of a manually executed counterpart of this Acknowledgement and Confirmation.

IN WITNESS WHEREOF, the parties hereto have caused this Acknowledgment and Confirmation to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

[ 1 ]

By: \_\_  
Name:  
Title:

[ 1 ]

By: \_\_  
Name:  
Title:

[ 1 ]

By: \_\_  
Name:  
Title:

[ 1 ]

By: \_\_  
Name:  
Title:

1. Promptly following the Second Amendment Effective Date, and in no event later than thirty (30) days following the Second Amendment Effective Date, the Borrower shall deliver a list to the Agent of all Mortgages delivered to the Agent under the Credit Agreement (such list to be substantially in the form of the list of Mortgages delivered to the Agent in connection with the First Amendment, and to exclude those Mortgages previously released pursuant to provisions of the Credit Agreement), accompanied by an officer's certificate certifying that such list is true, correct and complete in all material respects. Such certification shall be deemed a representation and warranty under the Credit Agreement for all purposes.

2. Within ninety (90) days of the Second Amendment Effective Date, the Borrower shall satisfy, or cause the satisfaction of, each of the following with respect to each Mortgage in the States of Georgia and South Carolina in each case to reflect the extension of the Termination Date as set forth in such Mortgage as required pursuant to the laws of such states:

(A) the applicable Loan Party shall have executed and delivered to the Agent a modification to Mortgage in recordable form for the applicable jurisdiction in which the applicable Mortgaged Property is located and otherwise in form and substance reasonably acceptable to the Borrower and the Agent;

(B) the Agent shall have received evidence that counterparts of the modifications to Mortgages previously recorded in the States of Georgia and South Carolina have been submitted to the appropriate offices of First American Title Insurance Company for recordation in the appropriate offices to ensure that the valid and perfected first priority Liens created by such Mortgages continue in full force and effect and evidence that all other actions that the Agent may reasonably deem necessary or desirable in order to ensure that the valid and perfected first priority Liens created by such Mortgages have been taken, subject only to Liens permitted under Section 6.01 of the Credit Agreement (provided that any Liens required by Section 6.01 of the Credit Agreement to be junior to the Liens securing the Facility are, in fact, junior to such Liens securing the Facility); and

(C) the Agent shall have received a letter of opinion addressed to the Agent and the Lenders from counsel located in South Carolina and Georgia with respect to the adequacy of the form of the modifications of the Mortgages and such other matters as reasonably requested by the Agent.

Schedule I

Lenders	Commitment Percentage	Commitment	Facility Letter of Credit Sublimit
Credit Suisse AG, Cayman Islands Branch	40.00%	\$58,000,000	\$58,000,000
Goldman Sachs Lending Partners LLC (with its Affiliate, Goldman Sachs Bank USA acting as Issuer)	39.31034483%	\$57,000,000	\$57,000,000
Deutsche Bank AG New York Branch	20.68965517%	\$30,000,000	\$30,000,000
TOTAL	100%	\$145,000,000	\$145,000,000

**AMENDED CREDIT AGREEMENT**

[see attached]





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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of September 24, 2012  
as amended as of November 10, 2014  
and as amended as of November 6, 2015

BEAZER HOMES USA, INC.,  
as Borrower,

THE LENDERS PARTY HERETO,

THE ISSUERS PARTY HERETO,

and

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,  
as Agent

---

CREDIT SUISSE SECURITIES (USA) LLC,  
as Sole Lead Arranger

CREDIT SUISSE SECURITIES (USA) LLC,  
GOLDMAN SACHS LENDING PARTNERS LLC and  
DEUTSCHE BANK SECURITIES INC.,  
as Joint Bookrunners

\$145,000,000 SENIOR SECURED REVOLVING CREDIT FACILITY

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Exhibits G-1 to G-4	Form of Tax Compliance Certificates
Exhibit H	Form of Officer's Certificate
Exhibit I	Form of Authorized Agent's Letter

SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of September 24, 2012, as amended by the First Amendment and the Second Amendment, among BEAZER HOMES USA, INC., a Delaware corporation (the "Borrower"), the Lenders that are signatories hereto, the Issuers that are signatories hereto and CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, acting through one or more of its branches or affiliates, as Agent (the "Agent") for the Lenders and the Issuers.

#### PRELIMINARY STATEMENTS

(1) The Borrower entered into that certain Credit Agreement dated as of July 25, 2007, among the Borrower, the several lenders party thereto as lenders and as issuers, and Wachovia Bank, National Association, as agent (as amended, supplemented or otherwise modified prior to August 5, 2009, being hereinafter referred to as the "Original Credit Agreement").

(2) Pursuant to that certain Successor Agency and Amendment Agreement dated as of August 5, 2009 among Wachovia Bank, National Association, Citibank, N.A., the lenders and issuers under the Original Credit Agreement, the Borrower and the Guarantors (as hereinafter defined), Wachovia Bank, National Association resigned as agent under the Original Credit Agreement and Citibank, N.A. was appointed as successor agent (the "First Successor Agent").

(3) The Borrower, the lenders party thereto, the issuers party thereto and the First Successor Agent entered into an amendment and restatement of the Original Credit Agreement, dated as of August 5, 2009 (the "Amended and Restated Credit Agreement"), as modified by (i) the Extension and Amendment No. 1 dated as of August 2, 2010, by and between the Borrower and Citibank, N.A. and (ii) the Extension and Amendment No. 2 dated as of July 28, 2011, by and between the Borrower and Citibank, N.A. and (iii) the Extension and Amendment No. 3 dated as of August 2, 2012, by and between the Borrower and Citibank, N.A. (the Amended and Restated Credit Agreement, as so modified, and as heretofore otherwise amended, supplemented or modified, being hereinafter referred to as the "Existing Credit Agreement").

(4) Pursuant to that certain Second Successor Agency and Amendment Agreement dated as of September 24, 2012 (the "Second Successor Agency and Amendment Agreement") among Citibank, N.A., Credit Suisse AG, Cayman Islands Branch, the Borrower and the subsidiaries of the Borrower party thereto, the First Successor Agent resigned as agent under the Existing Credit Agreement and Credit Suisse AG, Cayman Islands Branch was appointed as successor agent thereunder.

(5) The Borrower, the Lenders party thereto, the Issuers and the Agent desire to amend and restate the Existing Credit Agreement in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

**ARTICLE I**  
**DEFINITIONS AND ACCOUNTING TERMS**

**Section 1.01** **Defined Terms.** As used in this Agreement, the following terms have the following meanings (terms defined in the singular shall have the same meaning when used in the plural and vice versa):

“ABR Loan” means a Loan which bears interest at the Alternate Base Rate.

“Acquired Debt” means Debt of any Person and its Subsidiaries existing at the time such Person became a Subsidiary of the Borrower (or such Person is merged with or into the Borrower or one of the Borrower’s Subsidiaries) or assumed in connection with the acquisition of assets from any such Person, including, without limitation, Debt Incurred in connection with, or in contemplation of (a) such Person being merged with or into or becoming a Subsidiary of the Borrower or one of its Subsidiaries (but excluding Debt of such Person which is extinguished, retired or repaid in connection with such Person being merged with or into or becoming a Subsidiary of the Borrower or one of its Subsidiaries) or (b) such acquisition of assets from any such Person.

“Acquisition” means any transaction, or any series of related transactions, consummated on or after the date of this Agreement by which the Borrower or any of its Subsidiaries (i) acquires any going concern or all or substantially all of the assets of any Person or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes or by percentage of voting power) of the Common Equity of another Person.

“Adjusted Consolidated Tangible Net Worth” of the Borrower means Consolidated Tangible Net Worth plus the amount of any Mandatory Convertible Notes.

“Adjusted Indebtedness” of the Borrower means the “Indebtedness” (as defined in the Base Indenture 2012 (as in effect on the Closing Date)) of the Borrower and its Restricted Subsidiaries minus the amount of any Mandatory Convertible Notes; provided that solely for purposes of calculating the ratio of Adjusted Indebtedness to Adjusted Consolidated Tangible Net Worth pursuant to Section 6.02(13), Adjusted Indebtedness shall be determined as of the last day of the most recently ended fiscal quarter for which financial statements have been delivered (or were required to be delivered) pursuant to Section 5.08(1) or (2); provided further that (i) with respect to any Debt Incurred, and remaining outstanding, after the last day of the most recently ended fiscal quarter, such Debt will be assumed to have been incurred as of the last day of the most recently ended fiscal quarter; (ii) with respect to Debt repaid (other than a repayment of revolving credit obligations repaid solely out of operating cash flows) after the last day of the most recently ended fiscal quarter, such Debt will be assumed to have been repaid on the last day of the most recently ended fiscal quarter; (iii) with respect to the Incurrence of any Acquired Debt after the last day of the most recently ended fiscal quarter, such Debt and any proceeds therefrom will be assumed to have been Incurred and applied as of the last day of the most recently ended fiscal quarter, and the results of operations of any Person and any Subsidiary of such Person that, in connection with or in contemplation of such Incurrence, becomes a Subsidiary of the Borrower or is merged with or into the Borrower or one of the Borrower’s



Subsidiaries or whose assets are acquired, will be included, on a pro forma basis, in the calculation of the ratio of Adjusted Indebtedness to Adjusted Consolidated Tangible Net Worth pursuant to Section 6.02(13) as if such transaction had occurred on the last day of the most recently ended fiscal quarter; and (iv) with respect to any other transaction pursuant to which any Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or one of the Borrower's Subsidiaries or pursuant to which any Person's assets are acquired after the last day of the most recently ended fiscal quarter, such ratio of Adjusted Indebtedness to Adjusted Consolidated Tangible Net Worth pursuant to Section 6.02(13) shall be calculated on a pro forma basis as if such transaction had occurred on the last day of the most recently ended fiscal quarter, but only if such transaction would require a pro forma presentation in financial statements prepared pursuant to Rule 11-02 of Regulation S-X under the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

“Adjusted LIBO Rate” means, with respect to any Eurodollar Loan for any Interest Period, an interest rate per annum equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Agent.

“Affected Lender” is defined in Section 2.18(a).

“Affiliate” means, with respect to any Person, any other Person (1) which directly or indirectly controls, or is controlled by, or is under common control with, such Person or a Subsidiary of such Person; (2) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting equity interests of such Person or any Subsidiary of such Person; or (3) five percent (5%) or more of the voting equity interests of which is directly or indirectly beneficially owned or held by such Person or a Subsidiary of such Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“After-Acquired Property Exclusionary Conditions” means, as of any date of determination, that (i) the aggregate book value of all Collateral as of such date is not less than \$1,000,000,000 (determined by reference to the calculation thereof as set forth in the most recently delivered Financial Covenant Certificate delivered to the Agent pursuant to Section 5.08(4)) and (ii) the applicable property that is acquired after the Second Amendment Effective Date or that ceases to be Excluded Property after the Second Amendment Effective Date does not secure Debt under the Second Lien Notes, any Exchange Notes in respect of Debt under the Second Lien Notes, any other Debt of the Borrower or any of its Subsidiaries that is secured on a junior lien basis or any Refinancing Debt in respect of the Second Lien Notes, such Exchange Notes or such junior lien Debt.

“Agent” has the meaning assigned to such term in the opening paragraph of this Agreement.

“Agent’s Fee Letter” means that certain fee letter dated July 9, 2012 from the Agent and Arranger to the Borrower and accepted by the Borrower.

“Aggregate Collateral Ratio” is defined in Section 7.01.

“Aggregate Commitment” means the aggregate Commitments of all the Lenders.

“Aggregate Outstanding Extensions of Credit” means, at any time, the sum of the aggregate principal amount of all Loans and the Facility Letter of Credit Obligations, in each case outstanding at such time.

“Agreement” means this Second Amended and Restated Credit Agreement, as amended by the First Amendment, the Second Amendment and as may be further amended, supplemented or otherwise modified from time to time; except that any reference to the date of this Agreement shall mean the date of this Second Amended and Restated Credit Agreement.

“Agreement Value” means, for each Hedging Agreement, on any date of determination, the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary party thereto would be required to pay if such Hedging Agreement were terminated on such date.

“Alternate Base Rate” means, for any day, the sum of (a) a rate per annum equal to the greatest of (i) the Base Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (iii) the one-month Adjusted LIBO Rate plus 1% plus (b) the Applicable Margin. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

“Applicable Letter of Credit Rate” means, as at any date of determination, a rate per annum equal to the then effective Applicable Margin for Eurodollar Loans.

“Applicable Margin” means, as at any date of determination, the rate per annum set forth below opposite the applicable Level then in effect (based on the Debt Coverage Ratio as of the last day of the applicable fiscal quarter):

Applicable Margin			
Level	Debt Coverage Ratio	Eurodollar Loans	ABR Loans
I	Greater than or equal to 2.33:1.00	4.25%	3.25%
II	Greater than or equal to 1.50:1.00 and less than 2.33:1.00	4.00%	3.00%
III	Less than 1.50:1.00	3.75%	2.75%

Any increase or decrease in the Applicable Margin resulting from a change in the Debt Coverage Ratio shall become effective as of the first Business Day immediately following the date a compliance certificate is delivered pursuant to Section 5.08(6); provided, however, that if a compliance certificate is not delivered when due in accordance with such Section, then Pricing Level I shall apply, in each case as of the first Business Day after the date on which such compliance certificate was required to have been delivered and in each case shall remain in effect until the first Business Day following the date on which such compliance certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, (a) the determination of the Applicable Margin for any period shall be subject to the provisions of Section 2.07(c) and (b) the initial Applicable Margin shall be set forth in Level I until the first Business Day immediately following the date a compliance is delivered pursuant to Section 5.08(6) for the first full fiscal quarter to occur following the Second Amendment Effective Date to the Agent. Any adjustment in the Applicable Margin shall be applicable to all credit extensions then existing or subsequently made or issued.

“Approved Electronic Communications” means each Communication that the Borrower or any Guarantor is obligated to, or otherwise chooses to, provide to the Agent pursuant to any Loan Document or the transactions contemplated therein, including any financial statement, financial and other report, notice, request, certificate and other information material; provided, however, that, solely with respect to delivery of any such Communication by the Borrower or any Guarantor to the Agent and without limiting or otherwise affecting either the Agent’s right to effect delivery of such Communication by posting such Communication to the Approved Electronic Platform or the protections afforded hereby to the Agent in connection with any such posting, “Approved Electronic Communication” shall exclude (i) any notice of borrowing, letter of credit request, notice of conversion or continuation, and any other notice, demand, communication, information, document and other material relating to a request for a new, or a

conversion of an existing, Borrowing, (ii) any notice of prepayment pursuant to Section 2.10 and any other notice relating to the payment of any principal or other amount due under any Loan Document prior to the scheduled date therefor, (iii) all notices of any Default or Event of Default and (iv) any notice, demand, communication, information, document and other material required to be delivered to satisfy any of the conditions set forth in Article III or any other condition to any Borrowing or other extension of credit hereunder or any condition precedent to the effectiveness of this Agreement.

“Approved Electronic Platform” is defined in Section 10.02(d).

“Approved Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arranger” means Credit Suisse Securities (USA) LLC.

“Assignment and Assumption” is defined in Section 11.02(b)(iii).

“Authorized Agent” means a Person designated by the Borrower who is significantly involved in effectuating sales that would necessitate an Ordinary Course Release.

“Authorized Agent’s Letter” means a letter from an Authorized Agent in the form of Exhibit I.

“Base Indenture 2002” has the meaning set forth in the definition of the term “Senior Notes”.

“Base Indenture 2004” has the meaning set forth in the definition of the term “Senior Notes”.

“Base Indenture 2012” has the meaning set forth in the definition of the term “Senior Notes”.

“Base Rate” means the fluctuating rate of interest announced by Credit Suisse in New York, New York, from time to time as its base rate.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrowing” means a borrowing consisting of Loans of the same type made, renewed or converted on the same day, and in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“Business Day” means (i) with respect to any Borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of their commercial lending activities.

“Capital Lease” means all leases which have been or should be capitalized on the books of the lessee in accordance with GAAP, provided that the adoption or issuance of any accounting standards after the Closing Date will not cause any lease that would not have been treated as a Capital Lease prior to such adoption or issuance to be deemed a Capital Lease regardless of whether such lease was entered into before or after such adoption or issuance.

“Capital Stock” of any Person means any and all shares, rights to purchase, warrants or options (whether or not currently exercisable), participations, or other equivalents of or interests in (however designated and whether voting or non-voting) the equity (which includes, but is not limited to, common stock, Preferred Stock and partnership and joint venture interests) of such Person (excluding any debt securities that are convertible into, or exchangeable for, such equity).

“Cash Equivalents” means:

(a) certificates of deposit, time deposits, bankers acceptances, and other obligations placed with commercial banks organized under the laws of the United States of America or any state thereof, or branches or agencies of foreign banks licensed under the laws of the United States of America or any state thereof, having a short-term rating of not less than A- by each of Moody’s and S&P at the time of acquisition, and having a maturities of not more than one year; provided that the aggregate principal Investment at any one time in any one such institution shall not exceed the Borrower’s specified investment limit for such institution under the Borrower’s investment policy as in effect from time to time;

(b) direct obligation of the United States or any agency thereof with maturities of one year or less from the date of acquisition;

(c) money market funds provided that such funds (A) have total net assets of at least \$2 billion, (B) have investment objectives and policies that substantially conform with the Borrower’s investment policy as in effect from time to time, (C) purchase only first-tier or U.S. government obligations as defined by Rule 2a-7 of the Securities and Exchange Commission promulgated under the Investment Company Act of 1940, and (D) otherwise comply with such Rule 2a-7; provided that the aggregate principal Investment at any one time in any one such money market fund shall not exceed \$100,000,000, if the Investment is to be for more than three Business Days;

(d) commercial paper and other marketable debt obligations having a maturity not longer than one year and rated at least A2, P2 or the equivalent thereof if commercial paper and otherwise BBB+, Baa1 or the equivalent thereof, in each case, by either S&P or Moody’s, respectively; and

(e) investments in other short-term securities permitted as investments under the Borrower’s investment policy in effect from time to time and consented to by the Agent.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation, policy, or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation

or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means any of the following (but excluding any of the following occurring in respect of any Significant Guarantor or Significant Subsidiary as a result of an Internal Reorganization or a transaction permitted by Section 6.03 or 6.06): (i) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower or of a Significant Guarantor or Significant Subsidiary, as an entirety or substantially as an entirety to any Person or “group” (within the meaning of Section 13(d)(3) of the Exchange Act) in one or a series of transactions; (ii) the acquisition by any Person or group of forty percent (40%) or more of the aggregate voting power of all classes of Common Equity of the Borrower or of a Significant Guarantor or Significant Subsidiary in one transaction or a series of related transactions; (iii) the liquidation or dissolution of the Borrower or of a Significant Guarantor or Significant Subsidiary; (iv) any transaction or a series of related transactions (as a result of a tender offer, merger, consolidation or otherwise) that results in, or that is in connection with, (a) any Person or group acquiring “beneficial ownership” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of forty percent (40%) or more of the aggregate voting power of all classes of Common Equity of the Borrower, a Significant Guarantor or a Significant Subsidiary, or of any Person or group that possesses “beneficial ownership” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of forty percent (40%) or more of the aggregate voting power of all classes of Common Equity of the Borrower, a Significant Guarantor or a Significant Subsidiary, or (b) less than forty percent (40%) (measured by the aggregate voting power of all classes) of the Common Equity of the Borrower being registered under Section 12(b) or 12(g) of the Exchange Act; (v) a majority of the Board of Directors of the Borrower, a Significant Guarantor or a Significant Subsidiary, not being comprised of persons who (a) were members of the Board of Directors of such Borrower, Significant Guarantor or Significant Subsidiary, as of the date of this Agreement (“Original Directors”), or (b) were nominated for election or elected to the Board of Directors of such Borrower, Significant Guarantor, or Significant Subsidiary, with the affirmative vote of at least a majority of the directors who themselves were Original Directors or who were similarly nominated for election or elected; (vi) with respect to any Significant Guarantor or Significant Subsidiary which is not a corporation, any loss by the Borrower of the right or power directly, or indirectly through one or more intermediaries, to control the activities of any such Significant Guarantor or Significant Subsidiary; or (vii) a “Change of Control” or similar event under any of the Senior Notes or any refinancing or replacement thereof or any other Material Debt. Nothing herein contained shall modify or otherwise affect the provisions of Section 6.03 or 6.06.

“Closing Date” is defined in Section 3.01.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and published interpretations thereof.

“Collateral” means all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

“Collateral Agreement” means the Second Amended and Restated Collateral Agreement dated as of the date hereof among the Borrower, each Guarantor identified on Schedule III and the Agent, substantially in the form of Exhibit A-2.

“Collateral Shortfall Amount” has the meaning assigned to that term in Section 8.01.

“Commitment” means, for each of the Lenders, the obligation of such Lender to make Loans and to purchase participations in Facility Letters of Credit in the aggregate not exceeding the amount set forth in Schedule I hereto as its “Commitment,” as such amount may be decreased from time to time pursuant to the terms of Section 2.02.1 or increased pursuant to Section 2.02.2; provided, however, that the Commitment of a Lender may not be increased without its prior written approval. For the avoidance of doubt, the Facility Letter of Credit Sublimit for each Lender set forth on Schedule I is a part of, and not in addition to, such Lender’s Commitment otherwise set forth on Schedule I.

“Commitment and Acceptance” is defined in Section 2.02.2(a).

“Commitment Fee” is defined in Section 2.08(a).

“Commitment Letter” means the Commitment Letter, dated as of July 9, 2012, by and among the Borrower, Credit Suisse Securities (USA) LLC, Credit Suisse AG, Deutsche Bank Trust Company Americas, Deutsche Bank Securities Inc., Goldman Sachs Lending Partners, LLC, UBS Loan Finance LLC and UBS Securities LLC.

“Common Equity” of any Person means any and all shares, rights to purchase, warrants or options (whether or not currently exercisable), participations, or other equivalents of or interests in (however designated) the equity (which includes, but is not limited to, common stock, preferred stock and partnership and joint venture interests) of such Person (excluding any debt securities convertible into, or exchangeable for, such equity) to the extent that the foregoing is entitled to (i) vote in the election of directors of such Person or (ii) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or other persons that will control the management and policies of such Person.

“Commonly Controlled Entity” means an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 414(b) or 414(c) of the Code.

“Communications” means each notice, demand, communication, information, document and other material provided for under this Agreement or under any other Loan Document or otherwise transmitted between the parties hereto relating to this Agreement, the other Loan Documents, the Borrower or any Guarantor or their respective Affiliates, or the transactions contemplated by

this Agreement or the other Loan Documents including, without limitation, all Approved Electronic Communications.

“Consolidated Cash Flow Available for Fixed Charges” of the Borrower and its Restricted Subsidiaries means for any period, the sum of the amounts for such period of:

(i) Net Income, plus

(ii) Consolidated Income Tax Expense (without regard to income tax expense or credits attributable to extraordinary and nonrecurring gains or losses on the sale, transfer, lease, conveyance or other disposition of assets), plus

(iii) Consolidated Interest Expense, plus

(iv) all depreciation, and, without duplication, amortization (including, without limitation, capitalized interest amortized to cost of sales), plus

(v) all other non-cash items reducing Net Income during such period,

minus all other non-cash items increasing Net Income during such period; all as determined on a consolidated basis for the Borrower and its Restricted Subsidiaries in accordance with GAAP.

“Consolidated Fixed Charge Coverage Ratio” of the Borrower means, with respect to any determination date, the ratio of (i) Consolidated Cash Flow Available for Fixed Charges of the Borrower and its Restricted Subsidiaries for the prior four full fiscal quarter period for which financial results have been reported immediately preceding the determination date, to (ii) the aggregate Consolidated Interest Incurred of the Borrower for the prior four full fiscal quarter period for which financial results have been reported immediately preceding the determination date; provided that:

(i) with respect to any Debt Incurred during, and remaining outstanding at the end of, such four full fiscal quarter period, such Indebtedness will be assumed to have been incurred as of the first day of such four full fiscal quarter period;

(ii) with respect to Debt repaid (other than a repayment of revolving credit obligations repaid solely out of operating cash flows) during such four full fiscal quarter period, such Debt will be assumed to have been repaid on the first day of such four full fiscal quarter period;

(iii) with respect to the Incurrence of any Acquired Debt, such Debt and any proceeds therefrom will be assumed to have been Incurred and applied as of the first day of such four full fiscal quarter period, and the results of operations of any Person and any Subsidiary of such Person that, in connection with or in contemplation of such Incurrence, becomes a Subsidiary of the Borrower or is merged with or into the Borrower or one of the Borrower’s Subsidiaries or whose assets are acquired, will be included, on a pro forma basis, in the calculation of the Consolidated Fixed Charge Coverage Ratio as if such transaction had occurred on the first day of such four full fiscal quarter period; and



(iv) with respect to any other transaction pursuant to which any Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or one of the Borrower's Subsidiaries or pursuant to which any Person's assets are acquired, such Consolidated Fixed Charge Coverage Ratio shall be calculated on a pro forma basis as if such transaction had occurred on the first day of such four full fiscal quarter period, but only if such transaction would require a pro forma presentation in financial statements prepared pursuant to Rule 11-02 of Regulation S-X under the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"Consolidated Income Tax Expense" of the Borrower for any period means the income tax expense of the Borrower and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Incurred" of the Borrower for any period means the Interest Incurred of the Borrower and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Assets" of the Borrower means, as of any date, the total amount of assets of the Borrower and its Restricted Subsidiaries (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date (or on such date if such date is the last day of the fiscal quarter), as determined in accordance with GAAP, less (i) Intangible Assets and (ii) appropriate adjustments on account of minority interests of other Persons holding equity Investments in Restricted Subsidiaries, in the case of each of clauses (i) and (ii) above, as would be reflected on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries as of the end of the fiscal quarter immediately preceding such date (or on such date if such date is the last day of the fiscal quarter), prepared in accordance with GAAP.

"Consolidated Tangible Net Worth" of the Borrower means, at any date, the consolidated stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of the Borrower and its Restricted Subsidiaries determined in accordance with GAAP, plus any amount of unvested deferred compensation included, in accordance with GAAP, as an offset to stockholders' equity and, less Intangible Assets, all determined as of the last day of the most recently ended fiscal quarter for which financial statements have been delivered (or were required to be delivered) pursuant to Section 5.08(1) or (2); provided that solely for purposes of calculating the ratio of Adjusted Indebtedness to Adjusted Consolidated Tangible Net Worth pursuant to Section 6.02(13), Consolidated Tangible Net Worth shall be calculated after giving effect to (i) the issuance of any Capital Stock occurring after the last day of the most recently ended fiscal quarter, on a pro forma basis assuming such Capital Stock had been issued and remains outstanding as of the last day of the most recently ended fiscal quarter; (ii) any redemption or repurchase of any Capital Stock occurring after the last day of the most recently ended fiscal quarter, on a pro forma basis assuming such Capital Stock had been redeemed or repurchased as of the last day of the most recently ended fiscal quarter; and (iii) any other transaction occurring after the last day of the most recently ended fiscal quarter pursuant to which any Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or one of the Borrower's Subsidiaries or pursuant to which any Person's assets are acquired, on a pro forma basis as if such transaction had

occurred as of the last day of the most recently ended fiscal quarter, but only if such transaction would require pro forma presentation in financial statements prepared pursuant to Rule 11-02 of Regulation S-X under the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

“Debt” means, without duplication, with respect to any Person (1) indebtedness or liability for borrowed money, including, without limitation, subordinated indebtedness (other than trade accounts payable and accruals incurred in the ordinary course of business); (2) obligations evidenced by bonds, debentures, notes, or other similar instruments; (3) obligations for the deferred purchase price of property (including, without limitation, seller financing of any Inventory) or services, provided, however, that Debt shall not include (A) obligations with respect to (x) options to purchase Real Property that have not been exercised, or (y) profit participation arrangements in favor of prior owners of Real Property relating to subsequent sales of such Real Property or (B) trade payables arising in the ordinary course of business that are no more than 90 days overdue; (4) obligations as lessee under Capital Leases to the extent that the same would, in accordance with GAAP, appear as liabilities in the Borrower’s consolidated balance sheet; (5) current liabilities in respect of unfunded vested benefits under Plans and incurred withdrawal liability under any Multiemployer Plan; (6) all fixed obligations of such Person in respect of letters of credit or other similar instruments or reimbursement obligations with respect thereto (including contingent liabilities with respect to letters of credit not yet drawn upon, but excluding standby letters of credit, and surety, performance, completion and payment bonds, and similar instruments issued for the benefit of such Person, and other liabilities and obligations of such Person in respect of earnest money notes or similar purpose undertakings or indemnifications issued in the ordinary course of business (as determined in good faith by the Borrower)); (7) obligations under acceptance facilities; (8) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or entity, or otherwise to assure a creditor against loss, provided, however, that “Debt” shall not include guaranties of performance obligations or guaranties of obligations of others not otherwise constituting Debt as provided herein; (9) obligations secured by any Liens on any property of such Person, whether or not the obligations have been assumed; (10) net liabilities under interest rate swap, exchange or cap agreements (valued as the termination value thereof, computed in accordance with a method approved by the International Swaps and Derivatives Association and agreed to by such Person in the applicable agreement); and (11) all Disqualified Stock issued by such Person (the amount of Debt represented by any Disqualified Stock will equal the greater of the voluntary or involuntary liquidation preference for such Disqualified Stock plus accrued and unpaid dividends).

“Debt Coverage Ratio” means the ratio of (a) Borrower’s Adjusted Indebtedness to (b) Borrower’s Adjusted Consolidated Tangible Net Worth, in each case, as of the last day of the most recent fiscal quarter for which financial statements have been delivered (or were required to be delivered) pursuant to Section 5.08(1) or (2).

“Default” means any of the events specified in Section 8.01, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

“Defaulting Lender” means, subject to Section 2.19.14(d), any Lender that has (a) failed to fund any portion of its Loans or participations in Facility Letters of Credit within three (3) Business Days of the date required to be funded by it hereunder, which failure has not been cured, unless such Lender notifies the Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, (b) otherwise failed to pay to the Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute, which failure has not been cured, or (c) (i) notified the Agent or a Loan Party in writing that it does not intend to satisfy any obligation set forth in clauses (a) or (b) or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (ii) has failed, within three (3) Business Days after written request by the Agent or the Borrower, to confirm in writing to the Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c)(ii) upon receipt of such written confirmation by the Agent and the Borrower), (iii) become insolvent or has a parent company that has become or is insolvent or (iv) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment; provided that such a Lender shall not be a Defaulting Lender by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (c) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.19.14(d)) upon delivery of written notice of such determination to the Borrower, each Issuer and each Lender.

“Designated Excluded Assets” means assets (including Capital Stock) with a fair market value (measured at the time of receipt) not in excess of \$25,000,000 received as non-cash consideration in an asset sale or invested in accordance with Section 4.11(c) of the Base Indenture 2012, in each case which have been designated by the Borrower as Designated Excluded Assets, which will constitute Excluded Property and will not be required to be pledged as Collateral.

“Disqualified Stock” means any equity interest which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise,

in whole or in part, on or prior to the date which is six months after the latest Termination Date in effect at the time of issuance of such equity interest or, if applicable, of the security into which it is convertible or for which it is exchangeable, (b) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or (ii) any equity interests referred to in (a) above, in each case at any time on or prior to the date which is six months after the latest Termination Date in effect at the time of issuance of such equity interest or, if applicable, of the security into which it is convertible or for which it is exchangeable, or (c) contains any repurchase obligation which may come into effect prior to payment in full of all Obligations and termination of all Commitments; provided, however, that any equity interests that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such equity interests is convertible, exchangeable or exercisable) the right to require the issuer thereof to redeem such equity interests upon the occurrence of a change in control or an asset sale occurring prior to the latest Termination Date in effect at the time of issuance of such equity interest or, if applicable, of the security into which it is convertible or for which it is exchangeable shall not constitute Disqualified Stock if such equity interests provide that the issuer thereof will not redeem any such equity interests pursuant to such provisions prior to the repayment in full of the Obligations and termination of all Commitments.

“Disqualified Stock Dividend” of any Person means, for any dividend payable with regard to Disqualified Stock issued by such Person, the amount of such dividend multiplied by a fraction, the numerator of which is one and the denominator of which is one minus the maximum statutory combined federal, state and local income tax rate (expressed as a decimal number between 1 and 0) then applicable to such Person.

“Dollars” and the sign “\$” mean lawful money of the United States of America.

“EBITDA” means, for any period, on a consolidated basis for the Borrower and its Restricted Subsidiaries, the sum of the amounts for such period of (i) Net Income (but excluding from such Net Income for the applicable period any income derived from any Investment in a Joint Venture referred to in Section 6.07(9) to the extent that such income exceeds the cash distributions thereof received by the Borrower or its Restricted Subsidiaries in such period), plus (ii) charges against income for foreign, federal, state and local taxes, plus (iii) Interest Expense, plus (iv) depreciation, plus (v) amortization expense, including, without limitation, amortization of goodwill and other intangible assets and amortization of deferred compensation expense, plus (vi) all other non-cash items reducing Net Income (including but not limited to impairment charges for land and other long-lived assets and option deposit forfeitures), minus (vii) interest income, minus (viii) any non-cash credits arising in or outside of the ordinary course of business that have been included in the determination of such Net Income, all determined in accordance with GAAP; provided that the adjustments to EBITDA described in clauses (ii) through (viii) shall apply only to the extent that they have been excluded (in the case of clauses (ii) through (vi)) or included (in the case of clauses (vii) and (viii)) in the determination of Net Income.

“Equity Interests” mean shares of Capital Stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity interests in any Person,

and any option, warrant or other right entitling the holder thereof to purchase or otherwise acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereof.

“Eurodollar Loan” means any Loan when and to the extent that the interest rate therefor is determined by reference to the Eurodollar Rate.

“Eurodollar Rate” means, with respect to a Eurodollar Loan for the relevant Interest Period, the sum of (a) the Adjusted LIBO Rate applicable to such Interest Period plus (b) the Applicable Margin.

“Event of Default” means any of the events specified in Section 8.01, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Exchange Notes” means any notes issued in exchange for the Second Lien Notes pursuant to the Registration Rights Agreement, dated as of July 18, 2012, among the Borrower, certain subsidiaries of the Borrower, Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., Deutsche Bank Securities Inc., UBS Securities LLC and Citigroup Global Markets Inc., or a similar agreement.

“Excluded Property” means:

(i) Capital Stock in any Subsidiary or Affiliate;

(ii) Real Property where the cost of obtaining a security interest or perfection thereof exceeds its benefits, such determination to be made (a) for Real Property with a book value of less than \$50,000,000, by the Borrower in its reasonable discretion and (b) for Real Property with a book value equal to or greater than \$50,000,000, by the Borrower and the Agent in their reasonable discretion;

(iii) personal property where the cost of obtaining a security interest or perfection thereof exceeds its benefits, as determined by the Borrower and the Agent in their reasonable discretion;

(iv) Real Property located outside the United States;

(v) unentitled land;

(vi) Real Property that is leased or held for the purpose of leasing to unaffiliated third parties;

(vii) any property subject to a Lien (a) permitted by clause (7) of Section 6.01, (b) permitted by clause (21) of Section 6.01 or (c) securing Debt incurred for the purpose of financing

the acquisition thereof, in each case to the extent that the Debt or acquisition agreements relating thereto prohibit the grant of a security interest in such property to the Agent;

(viii) any Real Property in a community under development with a dollar amount of investment as of the most recent month-end (as determined in accordance with GAAP) of less than \$2,000,000 or with less than 10 lots remaining;

(ix) any permit, lease, license, contract or agreement to which any Loan Party is a party or any of its rights or interests thereunder if and only to the extent that the grant of a security interest with respect to such permit, lease, license, contract or agreement is (A) prohibited by any requirements of law of a Governmental Authority or requires a consent not obtained of any Governmental Authority pursuant to such requirement of law or (B) prohibited by, or constitutes a breach or default under or results in the termination of or requires any consent not obtained under, such permit, lease, license, contract or agreement, except to the extent that such requirement of law or the term in such permit, lease, license, contract or agreement (other than (1) any such permit, lease, license, contract or agreement evidencing Debt, guarantee obligations or similar financing arrangements of any Loan Party or (2) any shareholder, joint-venture or similar agreement, in each case to the extent permitted under this Agreement) providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable law;

(x) cash, Cash Equivalents, deposit accounts and securities accounts (except to the extent any of the foregoing constitutes proceeds of Collateral); and

(xi) up to \$25,000,000 of Designated Excluded Assets.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to any Lender, any Issuer or Agent or required to be withheld or deducted from a payment to any such Person: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profit Taxes, in each case, (i) imposed as a result of such Person being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable Lending Office located in, the jurisdiction imposing such Taxes (or any political subdivision thereof) or (ii) imposed as a result of a present or former connection between such Person and the jurisdiction imposing such Taxes (other than connections arising from such Person having executed, delivered, become a party to, performed its obligations under, received payments under, received a perfected security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document), (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or a Commitment pursuant to a law in effect on the date on which (x) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.18), or (y) such Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 10.04, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Person’s failure to comply with Section 9.08, and (d) any U.S. federal withholding Taxes imposed under FATCA.

“Facility” means the revolving credit and letter of credit facilities described in Section 2.01.

“Facility Increase” is defined in Section 2.02.2(a).

“Facility Letter of Credit” means any Letter of Credit issued by an Issuer for the account of the Borrower in accordance with Section 2.19.

“Facility Letter of Credit Collateral Account” is defined in Section 2.19.12.

“Facility Letter of Credit Fee” means a fee, payable with respect to each Facility Letter of Credit issued by an Issuer, in an amount per annum equal to the product of (i) the Applicable Letter of Credit Rate and (ii) the undrawn outstanding amount of such Facility Letter of Credit, which fee shall be calculated in the manner provided in Section 2.19.6.

“Facility Letter of Credit Obligations” means, at any date, the sum of (i) the aggregate undrawn face amount of all outstanding Facility Letters of Credit, and (ii) the aggregate amount paid by an Issuer on any Facility Letters of Credit to the extent (if any) not reimbursed by the Borrower or by the Lenders under Section 2.19.5. The Facility Letter of Credit Obligations of any Lender at any time shall mean its Pro Rata Share of the aggregate Facility Letter of Credit Obligations at such time.

“Facility Letter of Credit Sublimit” means, for each of the Issuers, the obligation of such Issuer to issue Facility Letters of Credit in the aggregate not exceeding the amount set forth in Schedule I hereto as its “Facility Letter of Credit Sublimit,” as such amount may be increased or decreased from time to time pursuant to the terms of Section 2.19.9.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), and any current or future regulations or official interpretations thereof.

“Federal Funds Effective Rate” means, for each day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11:00 A.M. New York City time on such day on such transactions received by the Agent from three Federal Funds brokers of recognized standing selected by the Agent in its sole discretion; provided, however, that if the “Federal Funds Effective Rate” shall be less than zero at any time, such rate shall be deemed for all purposes hereunder to be zero.

“Fee Letter” means that certain fee letter dated July 9, 2012 from Credit Suisse Securities (USA) LLC, Credit Suisse AG, Deutsche Bank Trust Company Americas, Deutsche Bank Securities Inc., Goldman Sachs Lending Partners, LLC, UBS Loan Finance LLC and UBS Securities LLC to the Borrower and accepted by the Borrower.

“Financial Covenant Certificate” means a certificate in the form of Exhibit F.

“Financial Letter of Credit” means any Letter of Credit of the Borrower or a Guarantor that is not a Performance Letter of Credit.

“Financial Officer” of any Person means the chief financial officer, principal accounting officer, treasurer or controller of such Person.

“First Amendment” means that certain First Amendment to Second Amended and Restated Credit Agreement dated as of November 10, 2014 among the Borrower, the financial institutions party thereto, the Agent and the other signatories party thereto.

“First Amendment Effective Date” is defined in the First Amendment.

“Flood Certificate” means a “Standard Flood Hazard Determination Form” of the Federal Emergency Management Agency and any successor Governmental Authority performing a similar function.

“Flood Program” means the National Flood Insurance Program created by the U.S. Congress pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973, the National Flood Insurance Reform Act of 1994 and the Flood Insurance Reform Act of 2004, in each case as amended from time to time, and any successor statutes.

“Flood Zone” means areas having special flood hazards as described in the National Flood Insurance Act of 1968, as amended from time to time, and any successor statute.

“Foreign Lender” means a Lender that is not a U.S. Person.

“Fronting Exposure” means, at any time there is a Defaulting Lender, with respect to any Issuer, such Defaulting Lender’s Pro Rata Share of the outstanding Facility Letter of Credit Obligations with respect to Facility Letters of Credit issued by such Issuer other than Facility Letter of Credit Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or cash collateralized in accordance with the terms hereof.

“Fronting Fee” is defined in Section 2.19.6(b).

“GAAP” means generally accepted accounting principles in the United States in effect from time to time (subject to the provisions of Section 1.02).

“Governmental Authority” means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

“Guarantor” means (a) the Subsidiaries of Borrower identified on Schedule III hereto and (b) any Person that, pursuant to a Supplemental Guaranty, guarantees the Obligations.

“Guaranty” means (a) the Second Amended and Restated Guaranty or (b) a Supplemental Guaranty.



“Hedging Agreement” means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

“Hedging Obligations” of any Person means the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement relating to interest rates or foreign exchange rates.

“Housing Collateral” means, to the extent included in the Collateral, (i) receivables resulting from a Housing Unit Closing and (ii) Housing Units, including model housing units.

“Housing Collateral Ratio” is defined in Section 7.01.

“Housing Unit” means a dwelling, including the land on which such dwelling is located (including condominiums but excluding mobile homes), which dwelling is either under construction or completed and is (or, upon completion of construction thereof, will be) available for sale.

“Housing Unit Closing” means a closing of the sale of a Housing Unit by the Borrower or a Restricted Subsidiary (including any company or other entity acquired in an Acquisition by the Borrower or a Restricted Subsidiary) to a bona fide purchaser for value that is not an Affiliate.

“Improvements” means for any Real Property owned by any Loan Party, all buildings, fixtures, improvements and facilities located on or attached to such Real Property or owned or leased by any Loan Party and used in, on, or at such Real Property; all heating, ventilating, air conditioning, mechanical, electrical, and other plumbing systems; roof, structure and other facilities serving any such buildings; landscaping and site improvements; construction work in progress; and building materials to be used in such construction work.

“Incur” means to, directly or indirectly, create, incur, assume, guarantee, extend the maturity of or otherwise become liable with respect to any Debt; provided, however, that neither the accrual of interest (whether such interest is payable in cash or kind) nor the accretion of original issue discount shall be considered an Incurrence of Debt. “Incurred” and “Incurrence” shall have correlative meanings.

“Indemnified Taxes” means Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document.

“Intangible Assets” means all unamortized debt discount and expense, unamortized deferred charges, good will, patents, trademarks, service marks, trade names, copyrights and all other items which would be treated as intangibles on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries prepared in accordance with GAAP.

“Intellectual Property” is defined in Section 4.24.

“Intercreditor Agreement” means the Intercreditor Agreement, dated as of September 11, 2009, among the Borrower, the subsidiaries of the Borrower party thereto, Citibank, N.A., as Initial

First Priority Agent, and Wilmington Trust, FSB, as Initial Second Priority Agent, as such agreement has been, and may hereafter be amended, restated, supplemented or otherwise modified from time to time.

“Interest Coverage Ratio” means the ratio of (a) EBITDA for the most recent four full fiscal quarters to (b) Consolidated Interest Incurred of the Borrower for the most recent four full fiscal quarters; provided that:

- (A) with respect to any Debt Incurred during, and remaining outstanding at the end of, such four full fiscal quarter period, such Indebtedness will be assumed to have been incurred as of the first day of such four full fiscal quarter period; and
- (B) with respect to Debt repaid (other than a repayment of revolving credit obligations repaid solely out of operating cash flows) during such four full fiscal quarter period, such Debt will be assumed to have been repaid on the first day of such four full fiscal quarter period.

“Interest Deficit” is defined in Section 2.07(b).

“Interest Expense” of the Borrower and its Restricted Subsidiaries for any period means, without duplication, the aggregate amount of (i) interest which, in conformity with GAAP, would be set opposite the caption “interest expense” or any like caption on an income statement for such Persons (including, without limitation, imputed interest included on Capital Leases, all commissions, discounts and other fees and charges owed with respect to letters of credit securing financial obligations and bankers’ acceptance financing, the net costs associated with Hedging Obligations, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other non-cash interest expense other than interest and other charges amortized to cost of sales) and includes, without duplication (including duplication of the foregoing items), all interest amortized to cost of sales for such period, and (ii) the amount of Disqualified Stock Dividends recognized by the Borrower on any Disqualified Stock whether or not paid during such period. Notwithstanding that GAAP may otherwise provide, the Borrower shall not be required to include in Interest Expense the amount of any premium to prepay Debt.

“Interest Incurred” of any Person for any period means, without duplication, the aggregate amount of (i) interest which, in conformity with GAAP, would be set opposite the caption “interest expense” or any like caption on an income statement for such Person (including, without limitation, imputed interest included on Capital Leases, all commissions, discounts and other fees and charged owed with respect to letters of credit securing financial obligations and bankers’ acceptance financing, the net costs associated with Hedging Obligations, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other noncash interest expense other than interest and other charges amortized to cost of sales) and includes, with respect to the Borrower and its Restricted Subsidiaries, without duplication (including duplication of the foregoing items), all interest capitalized for such period, all interest attributable to discontinued operations for such period to the extent not set forth

on the income statement under the caption “interest expense” or any like caption, and all interest actually paid by the Borrower or a Restricted Subsidiary under any guarantee of Debt (including, without limitation, a guarantee of principal, interest or any combination thereof) of any other Person during such period and (ii) the amount of Disqualified Stock Dividends recognized by the Borrower on any Disqualified Stock whether or not declared during such period.

“Interest Period” means, with respect to any Eurodollar Loan, the period commencing on the date of such Eurodollar Loan and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Loan only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Loan that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Eurodollar Loan initially shall be the date on which such Eurodollar Loan is made and thereafter shall be the effective date of the most recent conversion or continuation of such Eurodollar Loan.

“Internal Reorganization” means any reorganization between or among the Borrower and any Subsidiary or Subsidiaries or between or among any Subsidiary and one or more other Subsidiaries or any combination thereof by way of liquidations, mergers, consolidations, conveyances, assignments, sales, transfers and other dispositions of all or substantially all of the assets of a Subsidiary (whether in one transaction or in a series of transactions); provided that (a) the Borrower shall preserve and maintain its status as a validly existing corporation and (b) all assets, liabilities, obligations and guarantees of any Subsidiary party to such reorganization will continue to be held by such Subsidiary or be assumed by the Borrower or a Wholly-Owned Subsidiary of the Borrower.

“Inventory” means all Housing Units, lots, land, goods, merchandise and other personal property wherever located to be used for or incorporated into any Housing Unit.

“Investment” has the meaning provided therefor in Section 6.07. The amount of any Investment shall include (a) in the case of any loan or advance, the outstanding amount of such loan or advance and (b) in the case of any equity Investment, the amount of the “net equity investment” as determined in accordance with GAAP.

“Issuance Date” means the date on which a Facility Letter of Credit is issued, amended or extended.

“Issuer” means, with respect to each Facility Letter of Credit, any of Credit Suisse AG, Cayman Islands Branch, Deutsche Bank AG New York Branch or Goldman Sachs Bank USA, or any Affiliate of a Lender designated by such Lender, any permitted assignee of any Commitment of any of the above, as provided in Section 11.02(b)(v), and any other Lender (with such Lender’s

consent) or financial institution selected by the Borrower with the approval of the Agent to issue such Facility Letter of Credit.

“Joint Venture” means any Person (other than a Subsidiary) in which the Borrower or a Subsidiary holds any stock, partnership interest, joint venture interest, limited liability company interest or other equity interest.

“Legal Requirements” means, as to any Person, the organizational documents of such Person, and any treaty, law (including the common law), statute, ordinance, code, rule, regulation, guidelines, license, permit requirement, order or determination of an arbitrator or a court or other Governmental Authority, and the interpretation or administration thereof, in each case applicable to or binding upon such person or any of its property or to which such person or any of its property is subject.

“Lender Party” means any Lender or any Issuer.

“Lenders” means each of the Persons listed on Schedule I and any other Person that shall have become a party hereto pursuant to a Commitment and Acceptance or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

“Lending Office” means, with respect to any Lender, the Lending Office of such Lender (or of an affiliate of such Lender) heretofore designated in writing by such Lender to the Agent or such other office or branch of such Lender (or of an affiliate of such Lender) as that Lender may from time to time specify to the Borrower and the Agent as the office or branch at which its Loans (or Loans of a type designated in such notice) are to be made and maintained.

“Letter of Credit” of a Person means a letter of credit or similar instrument which is issued by a financial institution upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

“LIBO Rate” means, with respect to any Eurodollar Loan for any Interest Period, the rate per annum determined, as set forth by Reuters or any other interest rate reporting service of recognized international standing selected by the Agent that has been nominated by the ICE Benchmark Administration (or any successor service or entity that has been authorized by the U.K. Financial Conduct Authority to administer the London Interbank Offered Rate) as an authorized information vendor for the purpose of displaying such rates, at approximately 11:00 a.m. (London time) on the date that is two Business Days prior to the commencement of such Interest Period by reference to the settlement rates (as set forth by Reuters or such other interest rate reporting service selected by the Agent) for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, the “LIBO Rate” with respect to such Eurodollar Loan for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; provided, however, that if the “LIBO Rate” shall be less than zero at any time, such rate shall be deemed for all purposes hereunder to be zero.

“Lien” means, with respect to any asset, any mortgage, deed of trust, deed to secure debt, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

“Loan” means, with respect to a Lender, a Loan made by such Lender pursuant to Section 2.01.1 and any conversion or continuation thereof.

“Loan Documents” means this Agreement, the Notes, the Guaranties, the Security Documents, the Reimbursement Agreements, the Intercreditor Agreement, and any and all documents delivered hereunder or pursuant hereto.

“Loan Party” means the Borrower and each Guarantor.

“Mandatory Convertible Notes” means any Debt of a Person, the principal amount of which is payable at maturity solely in Capital Stock of such Person (provided that a requirement to pay accrued, but unpaid, interest on such Debt in cash at maturity or a requirement to pay cash fees, expenses or premiums as a result of the acceleration of payment, early redemption or otherwise with respect to such Debt shall not disqualify such Debt as Mandatory Convertible Notes).

“Margin Stock” has the meaning assigned to such term in Regulation U.

“Material Adverse Effect” means (i) a material adverse change in, or a material adverse effect upon, the business, assets, liabilities, financial condition or results of operations of the Borrower and its Restricted Subsidiaries, taken as a whole, (ii) a material impairment of the ability of (a) the Borrower or (b) the other Loan Parties, taken as a whole, in each case, to perform their respective Obligations under the Loan Documents, or (iii) a material impairment of the rights and remedies of or benefits available to the Agent or the Lenders under any of the Loan Documents.

“Material Debt” means (a) Debt (other than the Loans and the Facility Letters of Credit) or (b) obligations in respect of one or more Hedging Agreements, in each case, of any one or more of the Borrower or any Subsidiary in an aggregate principal amount exceeding \$25,000,000. For purposes of determining Material Debt, the “principal amount” of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the Agreement Value of such Hedging Agreement at such time.

“Minimum Liquidity” means the sum of (a) Unrestricted Cash of the Borrower and the Restricted Subsidiaries and (b) (i) the Aggregate Commitment minus (ii) the Aggregate Outstanding Extensions of Credit.

“Moody's” means Moody's Investors Service, Inc.

“Mortgaged Property” means each of the Real Properties of the Loan Parties listed on the “Beazer Homes Mortgaged Inventory List” included in Exhibit II attached to the Perfection Certificate delivered by the Borrower pursuant to Section 3.01(15), and each other parcel of Real Property and Improvements thereto as to which the Agent for the benefit of the Secured Parties has been granted a Lien pursuant to a Mortgage as provided in Sections 5.17 and 5.18.

“Mortgages” means each of the mortgages, deeds of trust, deeds to secure debt and similar instruments (including any spreader, assignment, amendment, restatement or similar modification of any existing Mortgage) made by any Loan Party in favor of the Agent for the benefit of the Secured Parties, in form and substance reasonably satisfactory to the Agent and the Borrower with respect to the Real Property described therein.

“Multiemployer Plan” means a plan described in Section 4001(a)(3) of ERISA in respect of which the Borrower, a Subsidiary or a Commonly Controlled Entity (i) is an “employer” as defined in Section 3(5) of ERISA or (ii) has made contributions, or been obligated to make contributions, during the preceding six plan years.

“Net Income” means, for any period, the aggregate net income (or loss) of the Borrower and its Restricted Subsidiaries determined on a consolidated basis for such period in accordance with GAAP; *provided* that there will be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any Person (other than a Restricted Subsidiary) in which any Person (including, without limitation, an Unrestricted Subsidiary) other than the Borrower or any Restricted Subsidiary has an ownership interest, except to the extent that any such income has actually been received by the Borrower or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period, or in any other form but converted to cash during such period;

(b) except to the extent includable in Net Income pursuant to the foregoing clause (a), the net income (or loss) of any Person that accrued prior to the date that (i) such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Borrower or any of its Restricted Subsidiaries or (ii) the assets of such Person are acquired by the Borrower or any of its Restricted Subsidiaries;

(c) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period;

(d) in the case of a successor to the Borrower by consolidation, merger or transfer of its assets, any earnings of the successor prior to such merger, consolidation or transfer of assets; and

(e) the gains (but not losses) realized during such period by the Borrower or any of its Restricted Subsidiaries resulting from (i) the acquisition of securities issued by the Borrower or extinguishment of Debt of the Borrower or any of its Restricted Subsidiaries, (ii) asset sales by the Borrower or any of its Restricted Subsidiaries and (iii) other extraordinary items realized by the Borrower or any of its Restricted Subsidiaries.

Notwithstanding the foregoing, in calculating Net Income, the Borrower will be entitled to take into consideration the tax benefits associated with any loss described in clause (e) of the preceding sentence, but only to the extent such tax benefits are actually recognized by the Borrower or any of its Restricted Subsidiaries during such period; *provided, further*, that there will be included in such net income, without duplication, the net income of any Unrestricted Subsidiary to the extent such net income is actually received by the Borrower or any of its Restricted Subsidiaries in the form of cash dividends or similar cash distributions during such period, or in any other form but converted to cash during such period.

“New Lender” means a Lender or other entity (in each case approved by the Agent and each Issuer, which approval shall not be unreasonably withheld or delayed) that elects, upon request by Borrower, to issue a Commitment or, in the case of an existing Lender, to increase its existing Commitment, pursuant to Section 2.02.2.

“Non-Recourse Debt” with respect to any Person means Debt of such Person for which (i) the sole legal recourse for collection of principal and interest on such Debt is against the specific property identified in the instruments evidencing or securing such Debt and such property was acquired (directly or indirectly, including through the purchase of Capital Stock of the Person owning such property) with the proceeds of such Debt or such Debt was Incurred within 90 days after the acquisition (directly or indirectly, including through the purchase of Capital Stock of the Person owning such property) of such property and (ii) no other assets of such Person may secure such Debt or may be realized upon in collection of principal or interest on such Debt. Debt which is otherwise Non-Recourse Debt will not lose its character as Non-Recourse Debt because there is recourse to the borrower, any guarantor or any other Person for (a) environmental warranties, covenants and indemnities, (b) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, deposits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets, waste and mechanics’ liens, breach of separateness covenants, and other customary exceptions or (c) in the case of the borrower thereof only, other obligations in respect of such Debt that are payable solely as a result of a voluntary or collusive non-voluntary bankruptcy filing (or similar filing or action) by such borrower.

“Note” means a promissory note in substantially the form of Exhibit B hereto, executed and delivered by the Borrower payable to a Lender in the amount of its Commitment, including any amendment, modification, restatement, renewal or replacement of such promissory note.

“Obligations” means (a) the due and punctual payment of principal of and interest on the Loans and the Notes, (b) the due and punctual payment of the Facility Letter of Credit Obligations, and (c) the due and punctual payment of fees, expenses, reimbursements, indemnifications and other present and future monetary obligations of the Borrower and each Guarantor to the Lenders

or to any Lender, the Agent, any Issuer or any indemnified party, in each case arising under the Loan Documents.

“Officer’s Certificate” means a certificate from a Responsible Officer in the form of Exhibit H.

“Ordinary Course Release” means a release of the Agent’s Liens on any Mortgaged Properties or any portions thereof in order to effect an Ordinary Course Sale.

“Ordinary Course Sale” means the sale or other disposition of such Mortgaged Properties or portions thereof (i) in the applicable Loan Party’s ordinary course of business (as reasonably determined by the Borrower) including sales of Housing Units, sales of lots individually or in bulk, and sales of subdivision properties and other developed and undeveloped land, or (ii) where such Mortgaged Properties or portions thereof are no longer used or useable in the ordinary course of business (as reasonably determined by the Borrower) of the applicable Loan Parties.

“Other Release” means a release of the Agent’s Liens on any Mortgaged Properties or any portions thereof in order to effect any sale or other disposition of such Mortgaged Properties or portions thereof other than any sale or disposition that is an Ordinary Course Sale.

“Participant” is defined in Section 11.03.

“Participant Register” is defined in Section 11.03.

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“Perfection Certificate” means the Perfection Certificate delivered by the Borrower to the Agent on the Closing Date.

“Performance Letter of Credit” means any Letter of Credit of the Borrower or a Subsidiary that is issued (a) for the benefit of a municipality, other governmental authority, utility, water or sewer authority, or other similar entity for the purpose of assuring such beneficiary of the Letter of Credit of the proper and timely completion of construction work or (b) with respect to the Borrower or such Subsidiary’s reinsurance obligations.

“Permitted Acquisition” means any Acquisition (other than by means of a hostile takeover, hostile tender offer or other similar hostile transaction) of a domestic business or domestic entity engaged primarily in the business of home building; provided that (a) immediately before and after giving effect to such Acquisition, no Default or Event of Default has occurred and is continuing and (b) for any Acquisition involving the Borrower by way of merger or consolidation, either (x) the Borrower is the surviving entity following such Acquisition, or (y) the surviving entity has assumed or otherwise become liable for all obligations of the Borrower under this Agreement and the other Loan Documents, and the ownership of the Common Equity and the composition of the Board of Directors of the surviving entity resulting from such merger or consolidation does not otherwise constitute a Change of Control in respect of such surviving entity.



“Permitted Secured Debt Conditions” means, with respect to any Secured Debt permitted to be incurred under Section 6.02, the collective reference to the following conditions: (i) no Default or Event of Default shall have occurred and be continuing, (ii) all representations and warranties shall be true and correct in all material respects immediately prior to, and immediately after giving effect to, the incurrence of such Secured Debt and (iii) the Loan Parties shall continue to be in compliance with all covenants in Article VII immediately after giving effect to the incurrence of such Secured Debt and the release of any applicable Collateral.

“Person” means an individual, partnership, corporation, business trust, joint stock company, trust, limited liability company, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

“Plan” means any pension plan which is covered by Title IV of ERISA and in respect of which the Borrower or a Subsidiary or a Commonly Controlled Entity is an “employer” as defined in Section 3(5) of ERISA or during the preceding six plan years, has made, or been obligated to make, contributions; provided, however, that the term “Plan” shall not include any Multiemployer Plan.

“Preferred Stock” of any Person means all Capital Stock of such Person which has a preference in liquidation or with respect to the payment of dividends.

“Pro Rata Share” means, at any time for any Lender, the ratio that such Lender’s Commitment bears to the Aggregate Commitment; provided, however, that if the Aggregate Commitment has terminated or been terminated in full, the Pro Rata Share shall be the ratio that (x) the sum of such Lender’s outstanding Loans and Facility Letter of Credit Obligations bears to (y) the sum of all outstanding Loans and Facility Letter of Credit Obligations; and provided, further, that this definition is subject to the provisions of Section 2.02.2(c) (if and when applicable).

“Prohibited Transaction” means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code that could subject the Borrower or any Subsidiary to any liability.

“Real Property” means all of those plots, pieces or parcels of land now owned, leased or hereafter acquired or leased by a Loan Party, together with the right, title and interest of such Loan Party in and to the streets, the land lying in the bed of any streets, roads or avenues, opened or proposed, in front of, the air space and development rights pertaining to the land and the right to use such air space and development rights, all rights of way, privileges, liberties, tenements, hereditaments and appurtenances belonging or in any way appertaining thereto, all fixtures, all easements now or hereafter benefiting the land and all royalties and rights appertaining to the use and enjoyment of the land necessary for the residential development of such land, together with all of the buildings and other Improvements now or hereafter erected on the land, and any fixtures appurtenant thereto. It is understood that any calculation of the book value of Real Property shall be calculated as of the month end last reported in a Financial Covenant Certificate.

“Refinancing Debt” means Debt that refunds, refinances or extends (by way of replacement) any applicable Debt of the Borrower or its Restricted Subsidiaries existing on the Closing Date or other Debt (other than Non-Recourse Debt) permitted to be incurred by the Borrower or its Restricted

Subsidiaries by the terms of this Agreement (“Refinanced Debt”) but only to the extent that (i) the Refinancing Debt is subordinated in right of payment to or pari passu in right of payment with the Obligations to the same extent as such Refinanced Debt, if at all, (ii) such Refinancing Debt is in an aggregate amount that is equal to or less than the sum of (A) the aggregate amount then outstanding under the Refinanced Debt, plus (B) accrued and unpaid interest on such Refinanced Debt, plus (C) reasonable fees and expenses incurred in obtaining such Refinancing Debt (including any applicable prepayment premiums and defeasance costs), it being understood that this clause (ii) shall not preclude the Refinancing Debt from being a part of a Debt financing that includes other or additional Debt otherwise permitted herein, (iii) such Refinancing Debt is Incurred by the same Person that initially Incurred such Refinanced Debt or by another Person of which the Person that initially Incurred such Refinanced Debt is a Subsidiary, (iv) such Refinancing Debt is Incurred within 180 days prior to or 180 days after such Refinanced Debt is so refunded, refinanced or extended; and (v) the Refinancing Debt is scheduled to mature either (x) no earlier than the Refinanced Debt or (y) after the latest Termination Date.

“Register” is defined in Section 10.17.

“Regulation D” means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

“Regulation U” means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

“Regulation X” means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

“Reimbursement Agreement” means, with respect to a Facility Letter of Credit, such form of application therefor and form of reimbursement agreement therefor (whether in a single or several documents, taken together) as the applicable Issuer may employ in the ordinary course of business for its own account, with the modifications thereto as may be agreed upon by such Issuer and the Borrower and as are not materially adverse (in the reasonable judgment of such Issuer and the Agent) to the interests of the Lenders; provided, however, in the event of any conflict between the terms of any Reimbursement Agreement and this Agreement, the terms of this Agreement shall control.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and such Person’s and such Person’s Affiliates respective managers, administrators, trustees, partners, directors, officers, employees, agents, fund managers and advisors.

“Release Conditions” means, with respect any Ordinary Course Release or Other Release, (i) the Borrower will be in pro forma compliance with Section 7.01 after giving effect to such release, (ii) no Event of Default has occurred and is continuing or would result therefrom as of the effective date of such release of Mortgaged Property or portion thereof, (iii) after giving effect to such release and all other releases of Mortgaged Properties or portions thereof since the date of the most recent Financial Covenant Certificate, the Housing Collateral Ratio and Aggregate Collateral Ratio satisfy the requirements of Section 7.01, (iv) such sale, other disposition or release does not result in the remainder of the Mortgaged Property being an unsubdivided parcel after giving effect to such release, to the extent subdivision of such parcel is legally required at such time, (v) such release does not alter the separate tax lot status of the remainder of such Mortgaged Property, subject to customary procedures and timing for separation of tax lots in the applicable jurisdiction and (vi) either (x) the Mortgaged Property being released does not secure Debt under the Second Lien Notes, any Exchange Notes in respect thereof or any Refinancing Debt in respect of the Second Lien Notes or such Exchange Notes or (y) all Liens on Mortgaged Property securing Debt described in clause (x) are being released substantially simultaneously with the release of the Agent’s Lien on such Mortgaged Property.

“Replacement Lender” is defined in Section 2.18.

“Reportable Event” means any of the events set forth in Section 4043 of ERISA with respect to a Plan (excluding any such event with respect to which the PBGC has waived the 30-day notice requirement).

“Required Lenders” means Lenders whose Pro Rata Shares are equal to or greater than 50%; provided that the Loans, Facility Letter of Credit Obligations, and unused Commitments of any Defaulting Lender shall be disregarded in the determination of the Required Lenders at any time.

“Responsible Officer” of any Person means any executive officer or Financial Officer of such Person and any other officer or similar official thereof responsible for the administration of the obligations of such Person in respect of this Agreement.

“Restricted Debt” means Debt of the Borrower or any Subsidiary, the payment, prepayment, repurchase or defeasance of which is restricted under Section 6.10(b).

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Equity Interests in the Borrower or any Subsidiary.

“Restricted Subsidiary” means each of the Subsidiaries of the Borrower which is not an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Rating Services.

“Second Amended and Restated Guaranty” means the Second Amended and Restated Guaranty dated as of the date hereof among each Guarantor identified on Schedule III and the Agent, substantially in the form attached as Exhibit A-1.

“Second Amendment” means that certain Second Amendment to Second Amended and Restated Credit Agreement dated as of November 6, 2015 among the Borrower, the financial institutions party thereto, the Agent and the other signatories party thereto.

“Second Amendment Effective Date” is defined in the Second Amendment.

“Second Lien Notes” means the 6.625% Senior Secured Notes of the Borrower issued pursuant to the Base Indenture 2012 in the original principal amount of \$300,000,000.

“Second Successor Agency and Amendment Agreement” is defined in the recitals.

“Secured Debt” means all Debt of the Borrower or any of its Subsidiaries (excluding the Obligations and Debt owing to the Borrower or any of its Subsidiaries) that is secured by a Lien on assets of the Borrower or any of its Subsidiaries as permitted under Section 6.01 hereof.

“Secured Parties” means the collective reference to the Agent, the Issuers and the Lenders.

“Security Documents” means the collective reference to the Collateral Agreement, the Mortgages and all other security documents hereafter delivered to the Agent granting a Lien on any property of any Person to secure the Obligations of the Loan Parties under any Loan Document.

“Senior Indentures” means the Base Indenture 2002, the Base Indenture 2012, the Supplemental Indentures and any other Indenture hereafter entered into by the Borrower pursuant to which the Borrower Incurs any Refinancing Debt with respect to any of the Senior Notes.

“Senior Notes” means (i) the 6 7/8% Senior Notes due 2015 of the Borrower issued in the original principal amount of \$350,000,000 pursuant to the Indenture dated April 17, 2002 (the “Base Indenture 2002”) and Fifth Supplemental Indenture dated June 8, 2005, (ii) the 8.125% Senior Notes due 2016 of the Borrower issued in the original principal amount of \$275,000,000 pursuant to the Base Indenture 2002 and the Eighth Supplemental Indenture dated June 6, 2006, (iii) the 9 1/8% Senior Notes due 2018 of the Borrower issued in the original principal amount of \$300,000,000 pursuant to the Base Indenture 2002 and the Thirteenth Supplemental Indenture dated May 20, 2010, (iv) the 9 1/8% Senior Notes due 2019 of the Borrower issued in the original principal amount of \$250,000,000 pursuant to the Base Indenture 2002 and the Fourteenth Supplemental Indenture dated November 12, 2010, (v) the 7.00% Senior Amortizing Notes due 2013 of the Borrower issued in the original principal amount of approximately \$15,738,000 pursuant to the Base Indenture 2002 and the Twelfth Supplemental Indenture dated May 10, 2010, (vi) the 6.00% Senior Amortizing Notes due 2015 of the Borrower issued in the original principal amount of approximately \$23,460,000 pursuant to the Base Indenture 2002 and the Sixteenth Supplemental Indenture dated July 16, 2012, and (vii) the 6.625% Senior Secured Notes of the Borrower issued in the original principal amount of \$300,000,000 pursuant to the Indenture dated July 18, 2012 (the “Base Indenture 2012”).

“Servicing Arrangement” is defined in Section 2.01.2(d).

“Significant Guarantor” means, at any date of determination thereof, any Guarantor that (together with its Subsidiaries) accounts for ten percent (10%) or more of the Consolidated Tangible Assets as of the last day of the most recent fiscal quarter then ended and ten percent (10%) or more of the consolidated net revenues for the twelve-month period ending on the last day of the most recent fiscal quarter then ended, in each case of the Borrower and its Subsidiaries taken as a whole. Such percentage shall be determined on the basis of financial reports that shall be available not later than 25 days (or, in the case of the last fiscal quarter of the fiscal year, 35 days) following the end of such fiscal quarter.

“Significant Subsidiary” means, at any date of determination thereof, any Subsidiary that (together with its Subsidiaries) accounts for five percent (5%) or more of the Consolidated Tangible Assets as of the last day of the most recent fiscal quarter then ended and five percent (5%) or more of the consolidated net revenues for the twelve-month period ending on the last day of the most recent fiscal quarter then ended, in each case of the Borrower and its Subsidiaries taken as a whole. Such percentage shall be determined on the basis of financial reports that shall be available not later than 25 days (or, in the case of the last fiscal quarter of the fiscal year, 35 days) following the end of such fiscal quarter.

“Specified Drawing Condition” is defined in Section 3.02(1)(c).

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Agent is subject for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Subsidiary” means, as to the Borrower or a Guarantor, in the case of a corporation, a corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation are at the time owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by the Borrower or such Guarantor, as the case may be, or in the case of an entity which is not a corporation, the activities of which are controlled directly, or indirectly through one or more intermediaries, or both, by the Borrower or such Guarantor, as the case may be.

“Supplemental Guaranty” means a Supplemental Guaranty in the form provided for in, and attached to, the form of Second Amended and Restated Guaranty attached hereto as Exhibit A.

“Supplemental Indentures” means the Supplemental Indentures identified in the definition of the term “Senior Notes”.

“Synthetic Purchase Agreement” means any swap, derivative or other agreement or combination of agreements pursuant to which the Borrower or any Subsidiary is or may become obligated to make (a) any payment in connection with a purchase by any third party from a Person other than the Borrower or any Subsidiary of any Equity Interest or Restricted Debt or (b) any payment (other than on account of a permitted purchase by it of any Equity Interest or Restricted Debt) the amount of which is determined by reference to the price or value at any time of any Equity Interest or Restricted Indebtedness; provided that no phantom stock or similar plan providing for payments only to current or former directors, officers or employees of the Borrower or the Subsidiaries (or to their heirs or estates) shall be deemed to be a Synthetic Purchase Agreement.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Termination Date” means January 15, 2018, subject, however, to earlier termination in whole of the Aggregate Commitment pursuant to the terms of this Agreement.

“Title Companies” means Security Title Insurance Company, a Vermont corporation, Homebuilders Title Services, Inc., a Delaware corporation, and Homebuilders Title Services of Virginia, Inc., a Virginia corporation, each of which is a Wholly-Owned Subsidiary of the Borrower.

“Title Insurance Company” means First American Title Insurance Company, its successors and assigns, or other title insurance company reasonably acceptable to the Agent.

“Transactions” means, collectively, (a) the execution, delivery and performance by the Loan Parties of the Loan Documents to which they are a party and the making of any Borrowings hereunder on the Closing Date, (b) the repayment of all amounts due or outstanding under or in respect of, and the amendment and restatement of, the Existing Credit Agreement and (c) the payment of related fees and expenses.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“UHIC” means United Homes Insurance Corporation, a Vermont corporation and Wholly-Owned Subsidiary of the Borrower.

“Unrestricted Cash” of a Person means the cash and Cash Equivalents of such Person that would not be identified as “restricted” on a balance sheet of such Person prepared in accordance with GAAP, except to the extent such cash is identified as “restricted” solely as a result of the Liens pursuant to the Security Documents.

“Unrestricted Subsidiary” means UHIC, Security Title Insurance Company, Inc., a Vermont corporation, Beazer Homes Capital Trust I, a Delaware business trust (to the extent deemed to be

a Subsidiary of the Borrower), and each of the Subsidiaries of the Borrower (including any newly formed or acquired Subsidiary) so designated by a resolution adopted by the Board of Directors of the Borrower as provided below, and provided that:

(a) neither the Borrower nor any of its other Subsidiaries (other than Unrestricted Subsidiaries) (1) provides any direct or indirect credit support or collateral for any Debt of such Subsidiary (including any undertaking, agreement or instrument evidencing such Debt) or (2) is directly or indirectly liable for any Debt of such Subsidiary;

(b) the creditors with respect to Debt for borrowed money of such Subsidiary have agreed in writing that they have no recourse, direct or indirect, to the Borrower or any other Subsidiary of the Borrower (other than Unrestricted Subsidiaries) or any of their respective assets, including, without limitation, recourse with respect to the payment of principal or interest on any Debt of such Subsidiary; and

(c) no default with respect to any Debt of such Subsidiary (including any right which the holders thereof may have to take enforcement action against such Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of the Borrower or any of its other Subsidiaries (other than other Unrestricted Subsidiaries), to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its stated maturity.

The Board of Directors of the Borrower may designate an Unrestricted Subsidiary to be a Restricted Subsidiary; provided that:

(i) any such designation will be deemed to be an Incurrence by the Borrower and its Restricted Subsidiaries of the Debt (if any) of such designated Subsidiary for purposes of Section 6.02 as of the date of such designation;

(ii) immediately after giving effect to such designation and the Incurrence of any such additional Debt, the Consolidated Fixed Charge Coverage Ratio of the Borrower would be at least 2.0 to 1.0;

(iii) the Liens on the property and assets of such Unrestricted Subsidiary could then be incurred in accordance with Section 6.01 as of the date of such designation;

(iv) Section 5.15, 5.17 and 5.18 of this Agreement and the provisions of the Security Documents and the Guaranty are complied with, to the extent applicable thereto, with respect to such Subsidiary;

(v) the Borrower shall be in compliance with the covenants in Article VII of this Agreement immediately after giving effect to such designation; and

(vi) no Default or Event of Default shall have occurred and be continuing.

Subject to the foregoing, the Board of Directors of the Borrower also may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that:

(i) all previous Investments by the Borrower and its Restricted Subsidiaries in such Restricted Subsidiary (net of any returns previously paid on such Investments) will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under Section 6.13;

(ii) immediately after giving effect to such designation and reduction of amounts available for Restricted Payments under Section 6.13, either (x) the Consolidated Fixed Charge Coverage Ratio of the Borrower would be at least 2.0 to 1.0 or (y) such Consolidated Fixed Charge Coverage Ratio for the Borrower and its Restricted Subsidiaries would be greater than such ratio immediately prior to such designation, in each case on a pro forma basis taking into account such designation;

(iii) the Borrower shall be in compliance with the covenants in Article VII of this Agreement immediately after giving effect to such designation; and

(iv) no Default or Event of Default shall have occurred and be continuing.

Any such designation by the Board of Directors of the Borrower will be evidenced to the Agent by the delivery to the Agent of a certified copy of the resolution of the Board of Directors of the Borrower giving effect to such designation and an officer's certificate certifying that such designation complied with the foregoing conditions and setting forth the underlying calculations.

"USA PATRIOT Act" means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

"Wholly-Owned Subsidiary" of any Person means (i) a Subsidiary, of which one hundred percent (100%) of the outstanding Common Equity (except for directors' qualifying shares or certain minority interests owned by other Persons solely due to local law requirements that there be more than one stockholder, but which interest is not in excess of what is required for such purpose) is owned directly by such Person or through one or more other Wholly-Owned Subsidiaries of such Person, or (ii) any entity other than a corporation in which such Person, directly or indirectly, owns all of the outstanding Common Equity of such entity.

**Section 1.02 Accounting Terms.** (a) All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements referred to in Section 4.04, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

(b) Notwithstanding anything to the contrary contained in this Agreement, in determining the Borrower's compliance with the provisions of Article VII hereof, GAAP shall not include modifications of generally accepted accounting principles that become effective after the date hereof.

**Section 1.03 Rules of Construction.** (a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined.



- (b) Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.
- (c) The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.
- (d) The word “will” shall be construed to have the same meaning and effect as the word “shall”.

(e) Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any person shall be construed to include such person’s successors and assigns (subject to any restrictions on such assignments set forth herein), (iii) the words “herein”, “hereof” and “hereunder”, and words of similar import shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Schedules and Exhibits shall be construed to refer to Articles and Sections of, and Schedules and Exhibits to, this Agreement, (v) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, and (vi) any reference to any law, rule or regulation shall be construed to mean that law, rule or regulation as amended and in effect from time to time.

(f) Each covenant in this Agreement shall be given independent effect, and the fact that any act or omission may be permitted by one covenant and prohibited or restricted by any other covenant (whether or not dealing with the same or similar events) shall not be construed as creating any ambiguity, conflict or other basis to consider any matter other than the express terms hereof in determining the meaning or construction of such covenants and the enforcement thereof in accordance with their respective terms.

(g) This Agreement is being entered into by and between competent and sophisticated parties who are experienced in business matters and represented by legal counsel and other advisors, and has been reviewed by the parties and their legal counsel and other advisors. Therefore, any ambiguous language in this Agreement will not be construed against any particular party as the drafter of the language.

**ARTICLE II**  
**AMOUNTS AND TERMS OF THE LOANS**

**Section 2.01 The Facility.**

**Section 2.01.1 Revolving Credit Facility.** (a) On and after the Closing Date and prior to the Termination Date applicable to such Lender, upon the terms and conditions set forth in this Agreement and in reliance upon the representations and warranties of the Borrower herein set forth, each Lender severally agrees to make Loans to the Borrower, provided that (i) in no event may the aggregate principal amount of all outstanding Loans and the Facility Letter of Credit Obligations of any Lender exceed its Commitment, and (ii) in no event may the sum of the aggregate principal amount of all outstanding Loans and the Facility Letter of Credit Obligations exceed the Aggregate Commitment.

(b) On and after the Closing Date and prior to the date that is 30 days prior to the Termination Date applicable to such Lender, each Lender severally agrees, on the terms and conditions set forth in this Agreement and in reliance upon the representations and warranties of Borrower herein set forth, to participate in Facility Letters of Credit issued pursuant to Section 2.19 for the account of the Borrower, provided that (i) in no event may the aggregate principal amount of all outstanding Loans and Facility Letter of Credit Obligations of any Lender exceed its Commitment and (ii) in no event may the aggregate amount of all Facility Letter of Credit Obligations exceed an amount equal to the Aggregate Commitment minus the sum of all outstanding Loans.

(c) Loans hereunder shall be made ratably by the several Lenders in accordance with their respective Pro Rata Shares. Participations in Facility Letters of Credit hereunder shall be ratable among the several Lenders in accordance with their respective Pro Rata Shares.

(d) All Obligations with respect to the Commitment, Loans and Facility Letters of Credit of a Lender shall be due and payable by the Borrower on the Termination Date applicable to such Lender unless such Obligations shall sooner become due and payable pursuant to Section 8.01 or as otherwise provided in this Agreement. All other Obligations owing to a Lender (or the Agent) shall be due and payable by the Borrower on the Termination Date applicable to such Lender (or the latest Termination Date in the case of the Agent) unless such other Obligations shall sooner become due and payable pursuant to Section 8.01 or as otherwise provided in this Agreement

(e) Each Borrowing which shall not utilize the Aggregate Commitment in full shall be in an amount not less than One Million Dollars (\$1,000,000) in the case of a Borrowing consisting of Eurodollar Loans and One Million Dollars (\$1,000,000) in the case of a Borrowing consisting of ABR Loans. Each Borrowing shall consist of a Loan made by each Lender in the proportion of its Pro Rata Share. Within the limits of the Aggregate Commitment, the Borrower may borrow, repay pursuant to Section 2.10, and reborrow Loans under this Section 2.01. On such terms and conditions, the Loans may be outstanding as ABR Loans or Eurodollar Loans. Each type of Loan shall be made and maintained at the applicable Lender's Lending Office for such type of Loan. The failure of any Lender to make any requested Loan to be made by it on the date specified for such Loan shall not relieve any other Lender of its obligation (if any) to make such Loan on

such date, but no Lender shall be responsible for the failure of any other Lender to make such Loan to be made by such other Lender.

**Section 2.01.2 Facility Availability.**

(a) On and after the date that the conditions set forth in Section 3.01 have been satisfied or waived by the Agent and the Lenders, the Borrower may borrow an aggregate principal amount of up to the Aggregate Commitments (reduced by the amount of all then outstanding Facility Letter of Credit Obligations), provided, however, that the Borrower shall satisfy the conditions set forth in Section 3.02 prior to the making of each Borrowing.

(b) So long as no other Debt is secured by a Lien on such Collateral, or any such Lien is being released substantially simultaneously with the release by the Agent, the Borrower may provide (i) an Authorized Agent's Letter to the Agent with respect to a request for an Ordinary Course Release, or (ii) an Officer's Certificate to the Agent with respect to a request for the release of the Agent's Liens on any Mortgaged Properties or any portions thereof in order to effect the sale or other disposition of such Mortgaged Properties or portions thereof (A) where such Mortgaged Properties or portions thereof are owned by a Subsidiary being sold, or whose assets are being sold, in a transaction otherwise permitted by this Agreement, (B) where such Mortgaged Properties or portions thereof where any structure is, or becomes, classified as being located in a Flood Zone so long as the Borrower maintains compliance with Section 7.01 after giving pro forma effect to the release of such Mortgaged Property from the Collateral; provided, however, that the Borrower request such release within 45 days of receipt of notification from the Agent that any portion of the structure(s) located on such Mortgaged Property has been reclassified as being located in a Flood Zone or (C) where such Mortgaged Properties or portions thereof are, or are becoming, Excluded Property. The Authorized Agent's Letter or Officer's Certificate (as applicable) and related documentation delivered to the Agent under this Section 2.01.2(b) shall be sent to the Agent via electronic mail to [william.o'daly@credit-suisse.com](mailto:william.o'daly@credit-suisse.com), [andrew.maletta@credit-suisse.com](mailto:andrew.maletta@credit-suisse.com) and [agency.loanops@credit-suisse.com](mailto:agency.loanops@credit-suisse.com) or such other employees of the Agent as may hereafter be designated by the Agent in writing to the Borrower. If the Agent receives such Authorized Agent's Letter or Officer's Certificate (as applicable) and a copy of the applicable instrument or instruments of such sale or other disposition, where applicable, then the Agent shall, within five (5) Business Days, or shorter time period as may be agreed by the Agent, of its receipt of the Authorized Agent's Letter or Officer's Certificate (as applicable), execute and deliver or cause to be executed and delivered such release instruments (so long as such release instruments are in the respective forms approved by the Agent or otherwise are in form and substance reasonably satisfactory to the Agent) in connection with the Authorized Agent's Letter or Officer's Certificate (as applicable) to effectuate the release of its Liens on such Mortgaged Property (or the portions thereof, including any related personal property), provided that (A) with respect to Ordinary Course Releases, no Event of Default shall have occurred and is continuing and (B) with respect to Other Releases, the Release Conditions have been satisfied as evidenced by the Officer's Certificate delivered in connection therewith; provided further, however, that such release shall not be recorded until the occurrence of the applicable event permitted by the Credit Agreement to which such Authorized Agent's Letter or Officer's Certificate (as applicable) and release documentation relates. Such executed release documents shall be delivered by the Agent in accordance with the delivery instructions provided

with the applicable Authorized Agent's Letter or Officer's Certificate. Upon the recording of the release of the Agent's Liens on any Mortgaged Properties or portions thereof, such Mortgaged Properties or portions shall no longer be included in the calculation of the Housing Collateral Ratio and Aggregate Collateral Ratio, as the case may be, as reflected in the next Financial Covenant Certificate to be delivered by the Borrower. The Borrower shall be deemed to have represented and warranted to the Agent and the Lenders that as of the effective date of each release of Mortgaged Property or portion thereof, after giving effect to such release and all other releases of Mortgaged Properties or portions thereof since the date of the most recent Financial Covenant Certificate, the Housing Collateral Ratio and Aggregate Collateral Ratio satisfy the requirements of Section 7.01. Notwithstanding the foregoing, if the book value of any Mortgaged Property requested to be released under this Section 2.01.2(b) plus the aggregate book value of all Mortgaged Properties previously released by the Agent under this Section 2.01.2(b) during any period between delivery of the Financial Covenant Certificate then in effect and the next Financial Covenant Certificate scheduled to be delivered by the Borrower exceeds 10% of the book value of the aggregate Collateral used in the calculation of the Financial Covenant Certificate, then the Agent shall have no obligation to deliver the release instruments until the Borrower shall have provided to the Agent an updated Financial Covenant Certificate demonstrating that the Housing Collateral Ratio and Aggregate Collateral Ratio, after giving effect to such additional requested release, would satisfy the requirements of Section 7.01.

(c) A Loan Party may, without the consent of any Lender, the Agent or any other Person, (A) make immaterial dispositions (including, but not limited to, lot line adjustments) of portions of any Mortgaged Property for dedication or public use to, or permit the creation of Liens to secure the levy of special assessments in favor of, governmental authorities, community development districts and property owners' associations, (B) make immaterial dispositions of portions of the Mortgaged Property to third parties for the purpose of resolving any encroachment issues, (C) subject to Section 5.14, grant easements, restrictions, covenants, reservations and rights-of-way for resolving minor encroachment issues or for access, water and sewer lines, telephone, cable and internet lines, electric lines or other utilities or for other similar purposes, and (D) subject to Section 5.14, consent to or join in any land use or other development approval documents (including subdivision plats, easements, homeowners' association and condominium declarations and agreements and the like) provided that, in each case, the Release Conditions shall have been satisfied as evidenced by the Officer's Certificate delivered in connection therewith and that such disposition, grant or consent is usual and customary in the ordinary course of the Borrower's development business and otherwise does not materially impair the value, utility or operation of the applicable Mortgaged Property. In connection with any disposition or creation of any Lien or any grant or consent permitted pursuant to this subsection (c), the Agent shall execute and deliver or cause to be executed and delivered any instrument reasonably necessary or appropriate in the case of the dispositions referred to above to release the portion of the Mortgaged Property affected by such disposition from the Lien of the applicable Mortgage, or to subordinate the Lien of the applicable Mortgage, or acknowledge that the Lien of any Mortgage is subordinate, to such Liens or grants of easements, restrictions, covenants, reservations and rights-of-way or other similar grants, or to evidence such consent or joinder, in each case within five (5) Business Days', or shorter time period as may be agreed by the Agent, of receipt by the Agent of (x) an Officer's Certificate, and (y) a copy of the applicable instrument or instruments of disposition, consent, joinder or

subordination for the Agent's execution. Such executed instruments shall be delivered by the Agent in accordance with the delivery instructions provided with the applicable Officer's Certificate. The Officer's Certificate and related documentation delivered to the Agent under this Section 2.01.2(c) shall be sent to the Agent via electronic mail to william.o'daly@credit-suisse.com, andrew.maletta@credit-suisse.com and agency.loanops@credit-suisse.com or such other employees of the Agent as may hereafter be designated by the Agent in writing to the Borrower. The provisions of this paragraph shall in no way limit or alter the requirements of Sections 7.01 or 7.02 and nothing in this Agreement or in any other Loan Document is intended to subordinate or postpone, and shall not be interpreted as subordinating or postponing, or as any agreement to subordinate or postpone, any Lien created by any of the Loan Documents to any Lien permitted by Section 6.01 (other than the Liens expressly permitted by this Section 2.01.2(c)).

(d) Notwithstanding anything to the contrary in this Section 2.01.2, each of the Lenders hereby consents to the release, disposition or subordination of the Collateral as set forth in Sections 2.01.2(b) and 2.01.2(c) and the entering into of a servicing arrangement by the Agent and the Borrower on terms substantially similar to those set forth in the Real Estate Services Agreement dated as of October [ 1 ], 2009 between Midland Loan Services, Inc. and Citibank, N.A. or otherwise reasonably acceptable to Agent (a "Servicing Arrangement"), without the necessity of any further action or consent on its part. Subject to the last sentence of this Section 2.01.2(d), each of the parties hereto further acknowledges and agrees that the Agent and the Borrower shall promptly, and in any event prior to the first recording of a Mortgage under this Agreement, enter into arrangements (which may include the granting of powers of attorney) reasonably acceptable to the Agent and the Borrower (and thereafter maintain) with a title company or other third party reasonably acceptable to the Agent and the Borrower. During such time as such Servicing Arrangement is in effect, all Authorized Agent's Letters and Officer's Certificates and related documents as described in Sections 2.01.2(b) and 2.01.2(c) shall be submitted by or on behalf of the Borrower to such title company or other third party. Such Servicing Arrangement shall authorize such title company or other third party to (x) receive all such Authorized Agent's Letters and Officer's Certificates and related documents, (y) review, execute and return, in accordance with the respective delivery instructions included with such documents, all instruments evidencing the requested release, disposition, subordination, joinder or consent, as applicable, and take all other actions required to be taken by the Agent in connection therewith as provided in Section 2.01.2(b) or Section 2.01.2(c), as the case may be, and (z) take all actions required to be taken by the Agent in respect of any Mortgages or Flood Certificates required to be delivered pursuant to Section 5.17, in each case as provided in the Servicing Arrangement. The entry into and maintenance of such arrangements shall be deemed to satisfy the obligations of the Agent with respect to (i) such releases, subordinations, joinders and consents pursuant to Sections 2.01.2(b) and 2.01.2(c), respectively, (ii) any consent or authorization required to be given pursuant to Section 5.14 and (iii) any Mortgages or Flood Certificates required to be delivered pursuant to Section 5.17. If there is any conflict or inconsistency between any terms or provisions of the Servicing Arrangement and any terms or provisions of Sections 2.10.2(b) – (d), 5.14 or 5.17, then the applicable terms and provisions of the Servicing Arrangement shall govern and control. Notwithstanding anything in this Section 2.01.2 to the contrary, if (x) no reasonably qualified title agent or third party shall be willing to enter into or maintain the Servicing Arrangement or (y) the Agent shall reasonably believe that any title agent or third party is taking actions on behalf of the Agent pursuant to any Servicing Arrangement that

is contrary to the terms of the Servicing Arrangement, then the Agent shall have no obligation to enter into or maintain the Servicing Arrangement (with respect to the occurrence of clause (x) above) or to maintain the Servicing Arrangement (with respect to the occurrence of clause (y) above).

(e) The Agent and the Lenders hereby agree that (A) upon satisfaction of the Permitted Secured Debt Conditions, all of the security interests and Liens shall be deemed to be forever released, discharged and terminated on the applicable Collateral being pledged to the secured party providing the Secured Debt only to the extent such Secured Debt is permitted under Section 6.02 and the Lien securing such Debt is permitted under Section 6.01 (it being understood that, in the case of this clause (A), no Liens shall be released, discharged or terminated on Collateral included in Housing Collateral and the proceeds thereof unless, after giving effect thereto, the Borrower shall be in compliance with Section 7.01) and (B) upon the occurrence of the Termination Date applicable to all Lender Parties and payment in full of the all outstanding Obligations (or, with respect to outstanding Facility Letters of Credit, cash collateralization or other arrangements reasonably satisfactory to Issuer thereof and the Agent) all of the security interests in, and Liens on, the Collateral, shall be deemed to be forever released, discharged and terminated. From and after the date that the Permitted Secured Debt Conditions shall have been satisfied or the Termination Date applicable to all Lender Parties shall have occurred and all outstanding Obligations shall have been paid in full (or, with respect to outstanding Facility Letters of Credit, cash collateralized or provided for pursuant to other arrangements reasonably satisfactory to Issuer thereof and the Agent), the Agent shall (x) execute (as applicable) and file Uniform Commercial Code termination statements, intellectual property release documents and such other instruments of release and discharge pertaining to the security interests and other Liens granted to the Agent pursuant to the Security Documents in any of the Collateral being so released as the Borrower may reasonably request to effectuate, or reflect of public record, the release and discharge of all such security interests and Liens and (y) deliver promptly all Collateral in its possession to the extent that the Liens on such Collateral are being released, discharged or terminated. All of the foregoing deliveries shall be at the expense of the Borrower, with no liability to the Agent or any Lender, and with no representation or warranty by or recourse to the Agent or any Lender.

(f) Notwithstanding anything to the contrary in this Agreement or any other Loan Document, and in addition to the other conditions to release of Collateral in this Agreement or any other Loan Document, the Agent shall release its Lien on any applicable Collateral only if (i) such Collateral does not secure Debt under the Second Lien Notes, any Exchange Notes in respect thereof or any Refinancing Debt in respect of the Second Lien Notes or such Exchange Notes or (ii) all Liens on such Collateral securing Debt described in clause (i) are being released substantially simultaneously with the release of the Agent's Lien on such Collateral.

(g) The Agent or its representatives shall be entitled to inspect the Collateral as follows: (i) at the Agent's option, but typically no more than once each calendar quarter so long as no Event of Default has occurred and is continuing, such representatives may review the Collateral at site and from the financial records of the Loan Parties, which will include Inventory reports, sales reports, copies of contracts, paid invoices, etc.; and (ii) material negative variances will be discussed with the Borrower and, if not satisfactorily resolved, will be reflected in the current month's Financial Covenant Certificate. All inspections made by the Agent and its representatives shall be made solely

and exclusively for the protection and benefit of the Lenders and neither the Borrower nor any other Person shall be entitled to claim any loss or damage against the Agent or its representatives for failure to properly discharge any alleged duties of the Agent.

(h) The Borrower shall pay all reasonable and documented fees and expenses associated with any of the actions taken under this Section 2.01.2 including, without limitation, (A) uniform commercial code searches, (B) judgment and tax lien searches, (C) recordation taxes, documentary taxes, transfer taxes and mortgage taxes and (D) filing and recording fees, charges and expenses.

## **Section 2.02 Reductions of and Increases in Aggregate Commitment.**

**Section 2.02.1 Reduction of Aggregate Commitment.** The Borrower shall have the right, upon at least three (3) Business Days' prior notice to the Agent, to terminate in whole or reduce in part the unused portion of the Aggregate Commitment, provided that each partial reduction shall be in the amount of at least Two Million Dollars (\$2,000,000), and provided further that no reduction shall be permitted if, after giving effect thereto, and to any prepayment made therewith, the sum of (i) the outstanding and unpaid principal amount of the Loans and (ii) the Facility Letter of Credit Obligations shall exceed the Aggregate Commitment. Each reduction in part of the unused portion of each Lender's Commitment shall be made in the proportion that such Commitment bears to the total amount of the Aggregate Commitment. Any Commitment, once reduced or terminated, may not be reinstated (except as otherwise provided in Section 8.01(v)) and may not be increased (except in accordance with Section 2.02.2).

### **Section 2.02.2 Increase in Aggregate Commitment.**

(a) **Request for Facility Increase.** The Borrower may, at any time and from time to time, request, by notice to the Agent, an increase of the Aggregate Commitment (a "Facility Increase") within the limitations hereafter described, which request shall set forth the amount of each such requested Facility Increase. The Aggregate Commitment may be increased (up to the amount of such requested Facility Increase, in the aggregate) by having one or more New Lenders increase the amount of their then existing Commitments or become Lenders, as the case may be, subject to and in accordance with this provisions of this Section 2.02.2. Any Facility Increase shall be subject to the following limitations and conditions: (i) any increase (in the aggregate) in the Aggregate Commitment, any increase in any Commitment and any new Commitment shall (unless otherwise agreed to by the Borrower and the Agent) not be less than \$5,000,000 (and (unless otherwise agreed to by the Borrower and the Agent) shall be in integral multiples of \$1,000,000 if in excess thereof); (ii) no Facility Increase pursuant to this Section 2.02.2 shall increase the Aggregate Commitment to an amount in excess of \$200,000,000; (iii) each Facility Increase pursuant to this Section 2.02.2 shall be on the same terms (including, without limitation, interest rates, guarantees and security on a pari passu basis) and conditions as this Facility; (iv) the Agent shall have received a certificate signed by a duly authorized Financial Officer of the Borrower dated the Increase Date certifying (A) the conditions set forth in Section 3.02(1) have been satisfied, (B) all covenants in Section 7.01 are satisfied on a pro forma basis, in each case on the date of incurrence and for the most recent determination period, after giving effect to such Facility Increase and other customary and appropriate pro forma adjustment events, including any acquisitions or

dispositions after the beginning of the relevant determination period but prior to or simultaneous with the effectiveness of such Facility Increase and (C) all fees and expenses owing in respect of such increase to the Agent and the Lenders shall have been paid; (v) the Borrower and each New Lender shall have executed and delivered a commitment and acceptance (the “Commitment and Acceptance”) substantially in the form of Exhibit C hereto, and the Agent shall have accepted and executed the same; (vi) the Borrower shall have executed and delivered to the Agent such Note or Notes as the Agent shall require to reflect such Facility Increase; (vii) the Borrower shall have delivered to the Agent an opinion of counsel (substantially similar to the form of opinion provided for in Section 3.01(9)(A), modified to apply to the Facility Increase and each Note and Commitment and Acceptance executed and delivered in connection therewith); (viii) the Guarantors shall have consented in writing to the Facility Increase and shall have agreed that their Guaranties continue in full force and effect; and (ix) the Borrower and each New Lender shall otherwise have executed and delivered such other instruments and documents as the Agent shall have reasonably requested in connection with such Facility Increase. The form and substance of the documents required under clauses (iv) through (ix) above shall be reasonably acceptable to the Agent. The Agent shall provide written notice to all of the Lenders hereunder of any Facility Increase.

(b) **New Lenders’ Loans and Participation in Facility Letters of Credit.** Upon the effective date of any increase in the Aggregate Commitment pursuant to the provisions hereof (the “Increase Date”), which Increase Date shall be mutually agreed upon by the Borrower, each New Lender and the Agent, (i) such New Lender shall be deemed to have irrevocably and unconditionally purchased and received, without recourse or warranty from the Lenders, an undivided interest and participation in any Facility Letter of Credit then outstanding, ratably, such that each Lender (including each New Lender) holds a participation interest in each such Facility Letter of Credit in the amount of its then Pro Rata Share thereof; (ii) on such Increase Date, the Borrower shall repay all outstanding ABR Loans and reborrow an ABR Loan in a like amount from the Lenders (including the New Lender); (iii) such New Lender shall not participate in any then outstanding Loan that is a Eurodollar Loan; (iv) if the Borrower shall at any time on or after such Increase Date convert or continue any Loan that is a Eurodollar Loan that was outstanding on such Increase Date, the Borrower shall be deemed to repay such Loan on the date of the conversion or continuation thereof and then to re-borrow as a Loan a like amount on such date so that the New Lender shall make a Loan on such date in the amount of its Pro Rata Share of such Borrowing; and (v) such New Lender shall make its Pro Rata Share of all Loans made on or after such Increase Date (including those referred to in clauses (ii) and (iv) above) and shall otherwise have all of the rights and obligations of a Lender hereunder on and after such Increase Date. Notwithstanding the foregoing, upon the occurrence of a Default prior to the date on which such New Lender is holding its Pro Rata Share of all Loans hereunder, such New Lender shall, upon notice from the Agent given on or after the date on which the Obligations are accelerated or become due following such Default, pay to the Agent (for the account of the other Lenders, to which the Agent shall pay their ratable shares thereof upon receipt) a sum equal to such New Lender’s Pro Rata Share of each Loan that is a Eurodollar Loan then outstanding with respect to which such New Lender does not then hold an interest; such payment by such New Lender shall constitute an ABR Loan hereunder.

(c) **Required Lenders.** Solely for purposes of the calculation of Pro Rata Shares as used in the definition of “Required Lenders,” until such time as a New Lender holds its Pro Rata



Share of all outstanding Loans (if any), the amount of such New Lender's new Commitment or the increased amount of its Commitment shall be excluded from the amount of the Commitments and Aggregate Commitment and there shall be included in lieu thereof at any time an amount equal to the sum of the outstanding Loans and the participation interests in Facility Letters of Credit held by such New Lender with respect to its new Commitment or the increased amount of its Commitment.

(d) **No Obligation to Increase Commitment.** Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment or agreement on the part of the Borrower or the Agent to give or grant any Lender the right to increase its Commitment hereunder at any time or a commitment or agreement on the part of any Lender to increase its Commitment hereunder at any time, and no Commitment of a Lender shall be increased without its prior written approval.

**Section 2.03 Notice and Manner of Borrowing.** The Borrower shall give the Agent notice of any Loans under this Agreement, on the Business Day of each ABR Loan, and at least three (3) Business Days before each Eurodollar Loan, specifying: (1) the date of such Loan (which shall be a Business Day); (2) the amount of such Loan; (3) the type of Loan (whether an ABR Loan or a Eurodollar Loan); and (4) in the case of a Eurodollar Loan, the duration of the Interest Period applicable thereto, provided, however, that (a) no Interest Period may extend beyond the earliest Termination Date to occur following such notice and (b) not more than eight (8) Interest Periods for Eurodollar Loans may be outstanding at any one time. All notices given by the Borrower under this Section 2.03 shall be irrevocable and shall be given not later than 11:00 A.M. New York City time on the day specified above for such notice. The Agent shall notify each Lender of each such notice not later than noon New York City time on the date it receives such notice from the Borrower if such notice is received by the Agent at or before 11:00 A.M. New York City time. In the event such notice from the Borrower is received after 11:00 A.M. New York City time, it shall be treated as if received on the next succeeding Business Day, and the Agent shall notify each Lender of such notice as soon as practicable but not later than noon New York City time on the next succeeding Business Day. Not later than 1:00 P.M. New York City time on the date of such Loans, each Lender will make available to the Agent in immediately available funds, such Lender's Pro Rata Share of such Loans. After the Agent's receipt of such funds, on the date of such Loans and upon fulfillment of the applicable conditions set forth in Article III, the Agent shall promptly credit the amounts so received to the Borrower's account with the Agent.

**Section 2.04 Non-Receipt of Funds by Agent.** (a) Unless the Agent shall have received notice from a Lender prior to the date (in the case of a Eurodollar Loan), or by 1:00 P.M. New York City time on the date (in the case of an ABR Loan), on which such Lender is to provide funds to the Agent for a Loan to be made by such Lender that such Lender will not make available to the Agent such funds, the Agent may assume that such Lender has made such funds available to the Agent on the date of such Loan in accordance with Section 2.03 and the Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent such Lender shall not have given the notice provided for above and shall not have made such funds available to the Agent, such Lender agrees to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at the Federal Funds Effective Rate for three (3)

Business Days and thereafter at the Alternate Base Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's applicable Loan for purposes of this Agreement. If such Lender does not pay such corresponding amount forthwith upon Agent's demand therefor, the Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Agent with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at the rate of interest applicable at the time to such proposed Loan. Nothing set forth in this Section shall affect the rights of the Borrower with respect to any Lender that defaults in the performance of its obligation to make a Loan hereunder.

(b) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Effective Rate for three Business Days and thereafter at the Alternate Base Rate.

**Section 2.05 Conversions and Renewals.** The Borrower may elect from time to time to convert all or a part of one type of Loan into another type of Loan or to renew all or part of a Loan by giving the Agent notice at least one (1) Business Day before conversion into an ABR Loan, and at least three (3) Business Days before the conversion into or renewal of a Eurodollar Loan, specifying: (1) the renewal or conversion date; (2) the amount of the Loan to be converted or renewed; (3) in the case of conversions, the type of Loan to be converted into; and (4) in the case of renewals of or a conversion into a Eurodollar Loan, the duration of the Interest Period applicable thereto; provided that (a) the minimum principal amount of each Eurodollar Loan outstanding after a renewal or conversion shall be One Million Dollars (\$1,000,000) and the minimum amount of each ABR Loan outstanding after a renewal or conversion shall be Two Hundred Fifty Thousand Dollars (\$250,000) and in each case in integral multiples of \$100,000 if in excess of such minimum amounts; (b) Eurodollar Loans may be converted on a Business Day that is not the last day of the Interest Period for such Loan only if the Borrower pays on the date of conversion all amounts due pursuant to Section 2.16; (c) the Borrower may not renew a Eurodollar Loan or convert an ABR Loan into a Eurodollar Loan at any time that a Default has occurred that is continuing; (d) no Interest Period may extend beyond the earliest Termination Date to occur following such notice; and (e) not more than eight (8) Interest Periods for Eurodollar Loans may be outstanding at any one time. All conversions and renewals shall be made in the proportion of the Lenders' respective Pro Rata Shares. All notices given by the Borrower under this Section 2.05 shall be irrevocable and shall be given not later than 11:00 A.M. New York City time on the day which is not less than the number of Business Days specified above for such notice. The Agent shall notify each Lender of each such notice not later than noon New York City time on the date it receives such notice from the Borrower if such notice is received by the Agent at or before 11:00 A.M. New York City time. In the event such notice from the Borrower is received after 11:00 A.M.

New York City time, it shall be treated as if received on the next succeeding Business Day, and the Agent shall notify each Lender of such notice as soon as practicable but not later than noon New York time on the next succeeding Business Day. Notwithstanding the foregoing, if the Borrower shall fail to give the Agent the notice as specified above for the renewal or conversion of a Eurodollar Loan prior to the end of the Interest Period with respect thereto, such Eurodollar Loan shall automatically be converted into an ABR Loan on the last day of the Interest Period for such Loan.

**Section 2.06 Interest.** (a) The Borrower shall pay interest to the Agent, for the account of the applicable Lender or Lenders on the outstanding and unpaid principal amount of the Loans at the following rates:

(i) If an ABR Loan, then at a rate per annum equal to the Alternate Base Rate in effect from time to time as interest accrues; and

(ii) If a Eurodollar Loan, then at a rate per annum for the Interest Period applicable to such Eurodollar Loan equal to the Eurodollar Rate for such Interest Period.

(b) Any change in the interest rate based on the Alternate Base Rate resulting from a change in the Alternate Base Rate shall be effective (without notice) as of the opening of business on the day on which such change in the Alternate Base Rate becomes effective. Interest on each Eurodollar Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Interest on each ABR Loan calculated on the basis of the Base Rate shall be calculated on the basis of a year of 365 or 366 days (as appropriate) for the actual number of days elapsed and interest on each ABR Loan calculated based on the Federal Funds Effective Rate shall be calculated on the basis of a year of 360 days for the actual number of days elapsed.

(c) Interest on the Loans shall be paid (in an amount set forth in a statement delivered by the Agent to the Borrower, provided, however, that the failure of the Agent to deliver such statement shall not limit or otherwise affect the obligations of the Borrower hereunder) in immediately available funds to the Agent at the office of Agent from time to time designated by it in writing for the account of the applicable Lending Office of each applicable Lender as follows:

(1) For each ABR Loan, on the first day of each calendar month commencing on the first such date after such Loan is made;

(2) For each Eurodollar Loan, on the last day of the Interest Period with respect thereto, except that, if such Interest Period is longer than three months, interest shall also be paid on the last day of the third month of such Interest Period; and

(3) If not sooner paid, then on the applicable Termination Date or such earlier date as the Loans may be due or declared due hereunder.

(d) Any principal amount of any Loan not paid when due (at maturity, by acceleration, or otherwise) and any other overdue amounts (including, without limitation, interest

and fees) shall bear interest thereafter until paid in full, payable on demand, at a rate per annum equal to the Alternate Base Rate or the applicable Eurodollar Rate, as the case may be, for such Loan in effect from time to time as interest accrues, plus two percent (2%) per annum.

**Section 2.07 Interest Rate Determination.** (a) The Agent shall determine each Adjusted LIBO Rate. The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent pursuant to the terms of this Agreement.

(b) If the provisions of this Agreement or any Note would at any time require payment by the Borrower to a Lender of any amount of interest in excess of the maximum amount then permitted by the law applicable to any Loan, the interest payments to such Lender shall be reduced to the extent necessary so that such Lender shall not receive interest in excess of such maximum amount. If, as a result of the foregoing a Lender shall receive interest payments hereunder or under a Note in an amount less than the amount otherwise provided hereunder, such deficit (hereinafter called "Interest Deficit") will cumulate and will be carried forward (without interest) until the termination of this Agreement. Interest otherwise payable to a Lender hereunder and under a Note for any subsequent period shall be increased by the maximum amount of the Interest Deficit that may be so added without causing such Lender to receive interest in excess of the maximum amount then permitted by the law on the applicable Loans. The amount of the Interest Deficit relating to the Loans shall be treated as a prepayment premium (to the extent permitted by law) and paid in full at the time of any optional prepayment by the Borrower to the applicable Lenders of all the applicable Loans at that time outstanding pursuant to Section 2.10. The amount of the Interest Deficit relating to the applicable Loans at the time of any complete payment of the Loans at that time outstanding (other than an optional prepayment thereof pursuant to Section 2.10) shall be canceled and not paid.

(c) If, as a result of any restatement of or other adjustment to the financial statements of the Borrower and its Subsidiaries or for any other reason, the Borrower, or the Lenders determine that (i) the Debt Coverage Ratio as calculated by the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Debt Coverage Ratio would have resulted in higher pricing for such period, the Borrower shall be obligated to pay to the Agent for the account of the applicable Lenders or the Issuer, as the case may be, within three (3) Business Days following demand by the Agent, an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Agent, any Lender or the Issuer, as the case may be, under any provision of this Agreement to payment of any Obligations hereunder at the rate specified in Section 2.06(d) or under Article VIII; provided, however, that notwithstanding anything in this paragraph to the contrary, no Event of Default shall be deemed to arise from the miscalculation of the pricing so long as the Borrower pays the amounts due under subparagraph (ii) above within three (3) Business Days of the Agent's demand therefor. The Borrower's obligations under this paragraph shall survive the termination of the Aggregate Commitments and the repayment of all other Obligations hereunder.

**Section 2.08 Fees.** (a) The Borrower agrees to pay to each Lender, through the Agent, on the last Business Day of March, June, September and December of each year and on

each date on which any Commitment of such Lender shall expire or be terminated as provided herein, a commitment fee (a “Commitment Fee”) equal to (i) to the extent the pricing set forth in Level I as set forth in the definition of “Applicable Margin” is then in effect, 0.75% per annum, (ii) to the extent the pricing set forth in Level II as set forth in the definition of “Applicable Margin” is then in effect, 0.625% per annum and (iii) to the extent the pricing set forth in Level III as set forth in the definition of “Applicable Margin” is then in effect, 0.50% per annum, in each case on the daily unused amount of the Commitment of such Lender during the preceding calendar quarter (or other period commencing with the date hereof or ending with the Termination Date applicable to such Lender’s Commitment or the date on which the Commitment of such Lender shall expire or be terminated); provided that no Commitment Fee shall be payable by the Borrower to a Lender which is a Defaulting Lender for such period as such Lender remains a Defaulting Lender. All Commitment Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(b) The Borrower shall pay to each Issuer of a Facility Letter of Credit the Fronting Fee to be paid by the Borrower to such Issuer pursuant to Section 2.19.6(b). The Borrower agrees to pay to the Agent for the account of each Lender the Facility Letter of Credit Fees pursuant to Section 2.19.6(a).

(c) The Borrower shall pay to the Agent such additional fees as are specified in the Agent’s Fee Letter.

**Section 2.09 Notes.** If so requested by any Lender, all Loans made by such Lender under this Agreement shall be evidenced by, and repaid with interest in accordance with, a single Note of the Borrower in substantially the form of Exhibit B hereto, in each case duly completed, dated the date of this Agreement and payable to such Lender for the account of its applicable Lending Office, such Note to represent the obligation of the Borrower to repay the Loans made by such Lender. Each Lender is hereby authorized by the Borrower, but no Lender shall be required, to endorse on the schedule attached to such Note or Notes held by it the amount and type of such applicable Loan and each renewal, conversion, and payment of principal amount received by such applicable Lender for the account of its applicable Lending Office on account of its applicable Loans, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of such Loans made by such Lender; provided, however, that the failure to make such notation with respect to any Loan or renewal, conversion, or payment shall not limit or otherwise affect the obligations of the Borrower under this Agreement or the Note or Notes held by such Lender. All Loans of a Lender shall be repaid on the Termination Date applicable to such Lender’s Commitment.

**Section 2.10 Prepayments.** (a) The Borrower may, upon notice to the Agent not later than noon New York City time on the date of prepayment in the case of ABR Loans and at least three (3) Business Days’ prior notice to the Agent in the case of Eurodollar Loans, prepay (including, without limitation, all amounts payable pursuant to the terms of Section 2.16) the Loans in whole or in part with accrued interest to the date of such prepayment on the amount prepaid, provided that (1) each partial payment shall be in a principal amount of not less than One Million Dollars (\$1,000,000) in the case of a Eurodollar Loan and Two Hundred Fifty Thousand

Dollars (\$250,000) in the case of an ABR Loan; and (2) Eurodollar Loans may be prepaid only on the last day of the Interest Period for such Loans; provided, however, that such prepayment of Eurodollar Loans may be made on any other Business Day if the Borrower pays at the time of such prepayment all amounts due pursuant to Section 2.16. Upon receipt of any such prepayments, the Agent will promptly thereafter cause to be distributed the Pro Rata Share of such prepayment to each Lender for the account of its applicable Lending Office.

(b) The Borrower shall immediately upon a Change of Control prepay the Loans in full and all accrued interest to the date of such prepayment, and in the case of Eurodollar Loans all amounts due pursuant to Section 2.16.

(c) If, after giving effect to any partial reduction of the Commitments or at any other time, the aggregate principal amount of Loans plus the aggregate Facility Letter of Credit Obligations would exceed the Aggregate Commitment, then the Borrower shall, on the date of such reduction or at such other time, repay or prepay the Borrowings and, after the Borrowings shall have been repaid or prepaid in full, replace or cause to be canceled (or make other arrangements satisfactory to the Agent and each Issuer with respect to) Facility Letters of Credit in an amount sufficient to eliminate such excess.

**Section 2.11 Method of Payment.** The Borrower shall make each payment under this Agreement and under any of the Notes not later than noon New York City time on the date when due in lawful money of the United States to the Agent for the account of the applicable Lending Office of each Lender in immediately available funds. The Agent will promptly thereafter cause to be distributed (1) the Pro Rata Share of such payments of principal and interest with respect to Loans in like funds to each Lender for the account of its applicable Lending Office and (2) other fees payable to any Lender to be applied in accordance with the terms of this Agreement. If any such payment is not received by a Lender on the Business Day on which the Agent received such payment (or the following Business Day if the Agent's receipt thereof occurs after 3:00 P.M. New York City time), such Lender shall be entitled to receive from the Agent interest on such payment at the Federal Funds Effective Rate for three Business Days and thereafter at the Alternate Base Rate (which interest payment shall not be an obligation for the Borrower's account, including under Section 10.04 or Section 10.06). The Borrower hereby authorizes each Lender, if and to the extent payment is not made when due under this Agreement or under any of the Notes, to charge from time to time against any account of the Borrower with such Lender any amount as due. Whenever any payment to be made under this Agreement or under any of the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of the payment of interest and the commitment fee, as the case may be, except, in the case of a Eurodollar Loan, if the result of such extension would be to extend such payment into another calendar month, such payment shall be made on the immediately preceding Business Day.

**Section 2.12 Use of Proceeds.** The proceeds of the Loans hereunder shall be used by the Borrower for working capital and general business purposes of the Borrower and the Subsidiaries to the extent permitted in this Agreement. The Borrower will not (i) directly or indirectly, use any part of such proceeds for the purpose of repaying the Senior Notes or for

purchasing or carrying any margin stock within the meaning of Regulation U or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X or (ii) directly or, to its knowledge, indirectly, use any part of such proceeds or otherwise make available such proceeds (x) to any Person, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC or (y) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the U.S. Foreign Corrupt Practices Act of 1977.

**Section 2.13 Yield Protection.** If any Change in Law, or the compliance of any Lender or Issuer therewith,

(i) subjects any Lender or Issuer or any applicable Lending Office to any tax, duty, charge or withholding on or from payments due from the Borrower (excluding federal taxation of the overall net income of any Lender or Issuer or applicable Lending Office), or changes the basis of taxation of payments to any Lender or Issuer in respect of its Loans or Facility Letters of Credit or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or Issuer or any applicable Lending Office (other than reserves and assessments taken into account in determining the interest rate applicable to Loans), or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or Issuer or any applicable Lending Office of making, funding or maintaining loans or issuing or participating in letters of credit or reduces any amount receivable by any Lender or Issuer or any applicable Lending Office in connection with loans, or requires any Lender or Issuer or any applicable Lending Office to make any payment calculated by reference to the amount of loans held, letters of credit issued or interest received by it, by an amount deemed material by such Lender or Issuer,

then, within fifteen (15) days of demand by such Lender or Issuer, the Borrower shall pay such Lender or Issuer that portion of such increased expense incurred or reduction in an amount received which such Lender or Issuer reasonably determines is attributable to making, funding and maintaining its Loans and its Commitment and issuing or participating in Letters of Credit. Failure or delay on the part of any Lender or Issuer to demand compensation pursuant to this Section 2.13 shall not constitute a waiver of such Lender's or Issuer's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuer for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or the Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuer's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is

retroactive, then the 180-day period referred to above shall be extended to indicate the period of retroactive effect thereof.

**Section 2.14 Changes in Capital Adequacy Regulations.** If a Lender or Issuer determines the amount of capital or liquidity required to be maintained by such Lender or Issuer, any Lending Office of such Lender or Issuer or any corporation controlling such Lender or Issuer is increased as a result of a Change in Law, then, within 10 days of demand by such Lender or Issuer, the Borrower shall pay such Lender or Issuer the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or Issuer determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Lender's or Issuer's policies as to capital adequacy); provided, however, that a Lender or Issuer shall impose such cost upon the Borrower only if such Lender or Issuer is generally imposing such cost on its other borrowers having similar credit arrangements. Failure or delay on the part of any Lender or Issuer to demand compensation pursuant to this Section 2.14 shall not constitute a waiver of such Lender's or Issuer's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuer for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or the Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuer's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to indicate the period of retroactive effect thereof.

**Section 2.15 Availability of Eurodollar Loans.** If any Lender determines that maintenance of its Eurodollar Loans at the Lending Office selected by the Lender would violate any applicable law, rule, regulation, or directive, whether or not having the force of law (and it is not reasonably possible for the Lender to designate an alternate Lending Office without being adversely affected thereby), or if the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Loans are not available or (ii) the interest rate applicable to Eurodollar Loans does not accurately reflect the cost of making or maintaining such Eurodollar Loans, then the Agent shall suspend the availability of Eurodollar Loans and require any Eurodollar Loans to be repaid.

**Section 2.16 Funding Indemnification.** If any payment of a Eurodollar Loan occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Loan is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits required to fund or maintain the Eurodollar Loan.

**Section 2.17 Lender Statements; Survival of Indemnity.** To the extent reasonably possible, each Lender shall designate an alternate Lending Office with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 2.13 and 2.14 or to avoid the unavailability of Eurodollar Loans. Each Lender shall deliver a written statement of such Lender as to the amount due, if any, under Sections 2.13, 2.14 or 2.16. Such written statement



shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by the Borrower of the written statement. The obligations of the Borrower under Sections 2.13, 2.14 and 2.16 shall survive payment of the Obligations and termination of this Agreement.

**Section 2.18 Replacement of Certain Lenders.** (a) In the event a Lender (“Affected Lender”): (i) shall have requested compensation from the Borrower under Sections 2.13 or 2.14 to recover additional costs incurred by such Lender that are not being incurred generally by the other Lenders, (ii) shall have delivered a notice pursuant to Section 2.15 claiming that such Lender is unable to extend Eurodollar Loans to the Borrower for reasons not generally applicable to the other Lenders, (iii) shall have invoked Section 10.13, (iv) shall become a Defaulting Lender, or (v) shall fail to consent to any proposed amendment, modification, waiver or consent hereunder requiring the unanimous approval of all Lenders or the approval of such Lender as being affected thereby, so long as such proposed amendment, modification, waiver or consent has otherwise been approved by the Required Lenders, then, in any such case, the Borrower may effect the replacement of such Affected Lender in accordance with the provisions of this Section 2.18. The Borrower may elect to replace an Affected Lender and make written demand on such Affected Lender (with a copy to the Agent) for the Affected Lender to assign, and, if a Replacement Lender (as hereinafter defined) notifies the Affected Lender of its willingness to purchase the Affected Lender’s interests in the Facility and the Agent and the Borrower consent thereto in writing, then such Affected Lender shall assign pursuant to one or more duly executed Assignments and Assumptions in substantially and in all material respects in the form and substance of Exhibit E five (5) Business Days after the date of such demand, to one or more financial institutions that comply with the provisions of Section 11.02 that the Borrower shall have engaged for such purpose (each a “Replacement Lender”), all of such Affected Lender’s rights and obligations (from and after the date of such assignment), including rights and obligations with respect to Facility Letters of Credit and its Facility Letter of Credit Sublimit, under this Agreement and the other Loan Documents in accordance with Section 11.02 (with the Borrower or the Replacement Lender paying any applicable processing or recording fee). The Agent agrees, upon the occurrence of such events with respect to an Affected Lender and upon the written request of the Borrower, to use its reasonable efforts to obtain commitments from one or more financial institutions to act as a Replacement Lender. As conditions to any such assignment, (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction and (y) the Affected Lender shall have concurrently received, in cash, all amounts due and owing to the Affected Lender hereunder or under any other Loan Document, including, without limitation, the aggregate outstanding principal amount of the Loans owed to such Lender, together with accrued interest thereon through the date of such assignment, amounts payable under Sections 2.13 and 2.14 with respect to such Affected Lender and the fees payable to such Affected Lender under Section 2.08(b); provided that upon such Affected Lender’s replacement, such Affected Lender shall cease to be a party hereto but shall

continue to be entitled to the benefits of Sections 2.13, 2.14, 2.16, 10.04 and 10.06, as well as to any fees accrued for its account hereunder and not yet paid, and shall continue to be obligated under Section 9.05 with respect to obligations and liabilities accruing prior to the replacement of such Affected Lender. A Lender shall not be required to make any such assignment if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment cease to apply.

(b) Notwithstanding anything to the contrary contained in this Agreement, each Replacement Lender must be approved by the Agent (such approval not to be unreasonably withheld or delayed) and must comply with the conditions set forth in Section 11.02.

**Section 2.19 Facility Letters of Credit.**

**Section 2.19.1 Issuance of Facility Letters of Credit.** (a) Each Issuer agrees, on the terms and conditions set forth in this Agreement, to issue from time to time for the account of the Borrower, through such offices, branches or affiliates as it and the Borrower may jointly agree, one or more Facility Letters of Credit in accordance with this Section 2.19, during the period commencing on the date hereof and ending on the thirtieth (30th) day prior to the Termination Date. Each Facility Letter of Credit shall be in form reasonably satisfactory to the Issuers.

(b) Notwithstanding anything in this Section 2.19 to the contrary, neither Credit Suisse AG, Cayman Islands Branch or Goldman Sachs Bank USA nor their respective affiliates shall be obligated to issue any commercial or trade (as opposed to standby) Facility Letter of Credit.

**Section 2.19.2 Limitations.** An Issuer shall not issue, amend or extend, at any time, any Facility Letter of Credit:

(i) if the aggregate maximum amount then available for drawing under Letters of Credit issued by such Issuer, after giving effect to the Facility Letter of Credit or amendment or extension thereof requested hereunder, shall exceed any limit imposed by law or regulation upon such Issuer;

(ii) if, after giving effect to the issuance, amendment or extension of the Facility Letter of Credit requested hereunder, the Aggregate Outstanding Extensions of Credit would exceed the Aggregate Commitment;

(iii) if, after giving effect to the issuance, amendment or extension of the Facility Letter of Credit requested hereunder, the Aggregate Outstanding Extensions of Credit of such Issuer would exceed such Issuer's Facility Letter of Credit Sublimit;

(iv) unless such Issuer receives written notice from the Agent on or before the proposed Issuance Date of such Facility Letter of Credit that the issuance, amendment or extension of such Facility Letter of Credit is within the limitations specified in clause (ii) of this Section 2.19.2;

(v) that has an expiration date later than the earlier of the date one year after the proposed Issuance Date of such Facility Letter of Credit and the date that is five Business Days prior to the scheduled Termination Date; provided, however, that a Facility Letter of Credit may, upon the request of the Borrower, include a provision whereby such Facility Letter of Credit shall be renewed automatically for additional consecutive periods of 12 months or less (but not beyond the date that is five Business Days prior to the scheduled Termination Date) unless the Issuer notifies the beneficiary thereof at least 30 days (or such longer period as may be specified in such Facility Letter of Credit) prior to the then-applicable expiration date that such Facility Letter of Credit will not be renewed;

(vi) that is in a currency other than U.S. Dollars or that provides for drawings other than by sight draft or by a demand for payment in the form attached to such Facility Letter of Credit; or

(vii) to a beneficiary where such issuance, amendment or extension would be in violation of any applicable law or regulation, as determined by such Issuer after its customary diligence.

**Section 2.19.3 Procedure for Issuance of Facility Letters of Credit.** (a) The Borrower shall give the applicable Issuer and the Agent not less than three (3) Business Days' prior written notice of any requested issuance of a Facility Letter of Credit under this Agreement. Such notice shall specify (i) the stated amount of the Facility Letter of Credit requested, which amount shall be in compliance with the requirements of Section 2.19.2, (ii) the requested Issuance Date, which shall be a Business Day, (iii) the date on which such requested Facility Letter of Credit is to expire, which date shall be in compliance with the requirements of Section 2.19.2(v), (iv) the purpose for which such Facility Letter of Credit is to be issued and (v) the Person for whose benefit the requested Facility Letter of Credit is to be issued. At the time such request is made, the Borrower shall also provide the Agent with a copy of the form of the Facility Letter of Credit it is requesting be issued. Such notice, to be effective, must be received by the Issuer and the Agent not later than 3:00 p.m. New York City time on the last Business Day on which notice can be given under this Section 2.19.3. Promptly after receipt of such notice, the Issuer shall confirm with the Agent in writing that the Agent has received a copy of such notice from the Borrower and, if not, the Issuer shall promptly provide the Agent with a copy thereof.

(b) Subject to the terms and conditions of this Section 2.19 and the conditions precedent set forth in Section 3.02, the applicable Issuer shall, on the Issuance Date, issue the requested Facility Letter of Credit in accordance with such Issuer's usual and customary business practices unless such Issuer has actually received written or telephonic notice from the Borrower specifically revoking the request to issue such Facility Letter of Credit. Such Issuer shall promptly give the Agent written notice, or telephonic notice confirmed promptly thereafter in writing, of the issuance, amendment, extension or cancellation of a Facility Letter of Credit, and the Agent shall promptly thereafter so notify all Lenders.

(c) No Issuer shall extend or amend any Facility Letter of Credit unless the requirements of this Section 2.19.3 are met as though a new Facility Letter of Credit were being requested and issued.

(d) Any Lender may, but shall not be obligated to, issue to the Borrower or any of its Subsidiaries Letters of Credit (that are not Facility Letters of Credit) for its own account, and at its own risk. None of the provisions of this Section 2.19 shall apply to any Letter of Credit that is not a Facility Letter of Credit.

**Section 2.19.4 Duties of Issuer.** Any action taken or omitted to be taken by an Issuer under or in connection with any Facility Letter of Credit, if taken or omitted in the absence of willful misconduct or gross negligence, shall not put such Issuer under any resulting liability to any Lender or, assuming that such Issuer has complied in all material respects with the procedures specified in Section 2.19.3, relieve any Lender of its obligations hereunder to such Issuer. In determining whether to pay under any Facility Letter of Credit, such Issuer shall have no obligation to the Lenders other than to confirm that any documents required to be delivered under such Facility Letter of Credit appear to have been delivered in compliance and that they appear to comply on their face with the requirements of such Facility Letter of Credit. Each Issuer shall not have any duty to ascertain or to inquire as to the purpose of a Facility Letter of Credit and may rely on the Borrower's representations with respect thereto in its request for issuance.

**Section 2.19.5 Participation.** (a) Immediately upon the issuance by an Issuer of any Facility Letter of Credit in accordance with Section 2.19.3, each Lender shall be deemed to have irrevocably and unconditionally purchased and received from such Issuer, without recourse or warranty, an undivided interest and participation ratably (in the proportion of such Lender's Pro Rata Share) in such Facility Letter of Credit (including, without limitation, all obligations of the Borrower with respect thereto other than amounts owing to such Issuer under Section 2.14).

(a) (b) In the event that an Issuer makes any payment under any Facility Letter of Credit and the Borrower shall not have repaid such amount to such Issuer on or before the date of such payment by such Issuer, such Issuer shall promptly so notify the Agent, which shall promptly so notify each Lender. Upon receipt of such notice, each Lender shall promptly and unconditionally pay to the Agent for the account of such Issuer the amount of such Lender's Pro Rata Share of such payment in same day funds, and the Agent shall promptly pay such amount, and any other amounts received by the Agent for such Issuer's account pursuant to this Section 2.19.5, to such Issuer. If the Agent so notifies such Lender prior to noon New York City time on any Business Day, such Lender shall make available to the Agent for the account of such Issuer such Lender's ratable share of the amount of such payment on such Business Day in same day funds. If and to the extent such Lender shall not have so made its ratable share of the amount of such payment available to the Agent for the account of the Issuer, such Lender agrees to pay to the Agent for the account of the Issuer forthwith on demand such amount, together with interest thereon, for each day from the date such payment was first due until the date such amount is paid to the Agent for the account of the Issuer, at the Federal Funds Effective Rate. The failure of any Lender to make available to the Agent for the account of an Issuer such Lender's ratable share of any such payment

shall not relieve any other Lender of its obligation hereunder to make available to the Agent for the account of such Issuer its ratable share of any payment on the date such payment is to be made.

(c) If any draft or demand is paid under any Facility Letter of Credit, the Borrower shall reimburse the Issuer for the amount of (A) the draft or demand so paid and (B) any taxes, fees, charges or other costs or expenses incurred by the Issuer in connection with such payment, not later than 12:00 Noon, New York City time, on (i) the Business Day immediately following the day that the Borrower receives notice of such draft or demand, if such notice is received on such day prior to 10:00 A.M. New York City time, or (ii) if clause (i) above does not apply, the second Business Day following the day that the Borrower receives such notice. Each such payment shall be made to the Issuer at its address for notices referred to herein in Dollars and in immediately available funds or at the request of the Issuer by wire transfer of immediately available funds. Interest shall be payable on any such amounts from the date on which the relevant draft or demand is paid until payment in full at the rate set forth in (x) until the Business Day next succeeding the date when such payment is required as set forth above, Section 2.06(a) and (y) thereafter, Section 2.06(d).

(d) Upon the request of the Agent or any Lender, each Issuer shall furnish to the requesting Agent or Lender copies of any Facility Letter of Credit or Reimbursement Agreement to which such Issuer is party.

(e) The obligations of the Lenders to make payments to the Agent for the account of an Issuer with respect to a Facility Letter of Credit shall be irrevocable, not subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, the following:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against a beneficiary named in a Facility Letter of Credit or any transferee of any Facility Letter of Credit (or any Person for whom any such transferee may be acting), the Issuer, the Agent, any Lender, or any other Person, whether in connection with this Agreement, any Facility Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transactions between the Borrower or any Subsidiary and the beneficiary named in any Facility Letter of Credit);

(iii) any draft, certificate or any other document presented under the Facility Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(v) any failure by the Agent or an Issuer to make any reports required pursuant to Section 2.19.7; or

(vi) the occurrence of any Default or Event of Default.

(f) For purposes of determining the unused portion of the Aggregate Commitment and the unused portion of a Lender's Commitment under Sections 2.02.1 and 2.08(a), the Aggregate Commitment shall be deemed used to the extent of the aggregate undrawn face amount of the outstanding Facility Letters of Credit and the Lender's Commitment shall be deemed used to the extent of such Lender's Pro Rata Share of the aggregate undrawn face amount of the outstanding Facility Letters of Credit.

**Section 2.19.6 Compensation for Facility Letters of Credit.** (a) The Borrower agrees to pay to the Agent, in the case of each Facility Letter of Credit, the Facility Letter of Credit Fee therefor, payable on the last Business Day of March, June, September and December of each year and on the Termination Date (which payment shall be in the amount of all accrued and unpaid Facility Letter of Credit Fees). Facility Letter of Credit Fees shall be calculated, on a pro rata basis for the period to which such payment applies, for actual days on which such Facility Letter of Credit was outstanding during such period, on the basis of a 360-day year. The Agent shall promptly remit such Facility Letter of Credit Fees, when received by the Agent, ratably to all Lenders.

(b) The Borrower agrees to pay the applicable Issuer of each Facility Letter of Credit an issuance fee with respect to such Facility Letter of Credit equal to an amount to be agreed with such Issuer (each such issuance fee, a "Fronting Fee"), properly due and payable hereunder with respect to the preceding calendar quarter and on the Termination Date. Each Fronting Fee shall be calculated on a pro rata basis for the period to which such payment applies, for actual days on which the applicable Facility Letter of Credit was outstanding during such period, on the basis of a 360-day year.

(c) An Issuer shall also have the right to receive, solely for its own account, customary issuance and administration fees and its out-of-pocket costs of issuing and servicing Facility Letters of Credit, as the Borrower may agree in writing.

**Section 2.19.7 Issuer Reporting Requirements.** Each Issuer shall, no later than the third (3rd) Business Day following the last day of each month, provide to the Agent a schedule of the Facility Letters of Credit issued by it showing the Issuance Date, account party, original face amount, amount (if any) paid thereunder, expiration date and the reference number of each Facility Letter of Credit outstanding at any time during such month (and indicating, with respect to each Facility Letter of Credit, whether it is a Financial Letter of Credit or Performance Letter of Credit) and the aggregate amount (if any) payable by the Borrower to such Issuer during the month pursuant to Section 2.14. Copies of such reports shall be provided promptly to each Lender by the Agent. The reporting requirements hereunder are in addition to those set forth in Section 2.19.3.

**Section 2.19.8 Indemnification; Nature of Issuer's Duties.** (a) In addition to amounts payable as elsewhere provided in this Section 2.19, the Borrower hereby agrees to protect, indemnify, pay and save the Agent, each Issuer and each Lender harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) arising from the claims of third parties against the Agent, any Issuer or any Lender as a consequence, direct or indirect, of (i) the issuance of any Facility Letter of Credit other than,

in the case of an Issuer, as a result of its willful misconduct or gross negligence, or (ii) the failure of an Issuer to honor a drawing under a Facility Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any government, court or other governmental agency or authority.

(b) As among the Borrower, the Lenders, the Agent and each Issuer, the Borrower assumes all risks of the acts and omissions of or misuse of Facility Letters of Credit by, the respective beneficiaries of such Facility Letters of Credit. In furtherance and not in limitation of the foregoing, neither an Issuer nor the Agent nor any Lender shall be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of the Facility Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Facility Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of a Facility Letter of Credit to comply fully with conditions required in order to draw upon such Facility Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, facsimile transmission or otherwise; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Facility Letter of Credit or of the proceeds thereof; (vii) for the misapplication by the beneficiary of a Facility Letter of Credit of the proceeds of any drawing under such Facility Letter of Credit; or (viii) for any consequences arising from causes beyond the control of the Agent, such Issuer and the Lenders including, without limitation, any act or omission, whether rightful or wrongful, of any government, court or other governmental agency or authority. None of the above shall affect, impair, or prevent the vesting of any of such Issuer's rights or powers under this Section 2.19 or relieve the Borrower of any of its obligations under this Section 2.19.

(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by an Issuer under or in connection with the Facility Letters of Credit or any related certificates, if taken or omitted in good faith, shall not put such Issuer, the Agent or any Lender under any resulting liability to the Borrower or relieve the Borrower of any of its obligations hereunder to any such Person, but the foregoing shall not relieve such Issuer of its obligation to confirm that any documents required to be delivered under a Facility Letter of Credit appear to have been delivered in compliance and that they appear to comply on their face with the requirements of such Facility Letter of Credit.

(d) Notwithstanding anything to the contrary contained in this Section 2.19.8, the Borrower shall have no obligation to indemnify an Issuer under this Section 2.19.8 in respect of any liability incurred by an Issuer arising primarily out of the willful misconduct or gross negligence of such Issuer, as determined in a final non-appealable judgment by a court of competent jurisdiction, or out of the wrongful dishonor by such Issuer of a proper demand for payment made under the Facility Letters of Credit issued by such Issuer, unless such dishonor was made at the request of the Borrower.

**Section 2.19.9 Resignation of Issuer.** An Issuer shall continue to be an Issuer hereunder unless and until (i) it shall have given the Borrower and the Agent notice that it has elected to resign as Issuer and (ii) there are, at the time of such notice and resignation, one or more other Issuers that have agreed to increase their respective Facility Letter of Credit Sublimits by amounts equal to such resigning Issuer's Facility Letter of Credit Sublimit (or such lesser amount as the Borrower may agree), and each such Issuer increasing such Facility Letter of Credit Sublimit shall have been approved by the Agent and, as long as no Event of Default shall have occurred and be continuing, the Borrower (such approval not to be unreasonably withheld or delayed). A resigning Issuer shall continue to have the rights and obligations of the Issuer hereunder solely with respect to Facility Letters of Credit theretofore issued by it notwithstanding the designation of a replacement Issuer hereunder, but upon its notice of resignation (or, if at the time of such notice, there is not at least one other Issuer, then upon such designation of a replacement Issuer), the resigning Issuer shall not thereafter issue any Facility Letters of Credit (unless it shall again thereafter be designated as an Issuer in accordance with the provisions of this Section 2.19.9). The assignment of, or grant of a participation interest in, or termination pursuant to Section 2.19 of, all or any part of its Commitment or Loans by a Lender that is also the Issuer shall not constitute an assignment or transfer of any of its rights or obligations as an Issuer.

**Section 2.19.10 Termination of Issuer's Obligation.** In the event that the Lenders' obligations to make Loans terminate or are terminated as provided in Section 8.01, each Issuer's obligation to issue Facility Letters of Credit shall also terminate.

**Section 2.19.11 Obligations of Issuer and Other Lenders.** Except to the extent that a Lender has a specified Facility Letter of Credit Sublimit applicable to it as shown on Schedule I hereto or shall otherwise have agreed to be designated as an Issuer, no Lender shall have any obligation to accept or approve any request for, or to issue, amend or extend, any Letter of Credit, and the obligations of an Issuer to issue, amend or extend any Facility Letter of Credit are expressly limited by and subject to the provisions of this Section 2.19.

**Section 2.19.12 Facility Letter of Credit Collateral Account.** The Borrower agrees that it will (i) upon the occurrence and during the continuation of any Event of Default as may be required pursuant to Section 8.01 or (ii) upon notice from the Agent pursuant to Section 2.19.14(a), maintain a special collateral account pursuant to arrangements satisfactory to the Agent (the "Facility Letter of Credit Collateral Account") at the Agent's office at the address specified pursuant to Section 10.02, in the name of the Borrower but under the sole dominion and control of the Agent, for the benefit of the Lenders and in which such Borrower shall have no interest therein other than as set forth in Section 8.01 or Section 2.19.14(a), as the case may be. The Borrower hereby pledges, assigns and grants to the Agent, on behalf of and for the ratable benefit of the Lenders and the Issuer, a security interest in all of the Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility Letter of Credit Collateral Account to secure the prompt and complete payment and performance of (a) the obligations of the Borrower to reimburse the Issuer and (if applicable) the Lenders for amounts (if any) from time to time drawn on Facility Letters of Credit and interest thereon and other sums from time to time payable under Reimbursement Agreements, and (b) if and when all such obligations of the Borrower have been paid in full and no Facility Letters of Credit remain outstanding, all other Obligations. The Agent will invest any



funds on deposit from time to time in the Facility Letter of Credit Collateral Account in Cash Equivalents reasonably acceptable the agent having a maturity not exceeding 30 days. Nothing in this Section 2.19.12 shall either obligate the Agent to require the Borrower to deposit any funds in the Facility Letter of Credit Collateral Account or limit the right of the Agent to release any funds held in the Facility Letter of Credit Collateral Account in each case other than as required by Section 2.19.14.

**Section 2.19.13 Issuer's Rights.** All of the representations, warranties, covenants and agreements of the Borrower to the Lenders under this Agreement and of the Borrower under any other Loan Document shall inure to the benefit of each Issuer (unless the context otherwise indicates).

**Section 2.19.14 Defaulting Lenders.** Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Subject to the provisions of Section 2.19.14(c), if any Facility Letter of Credit Obligations are outstanding at the time a Lender is a Defaulting Lender, then: (i) all or any part of such Defaulting Lender's Facility Letter of Credit Obligations shall be reallocated among the Lenders that are not Defaulting Lenders in accordance with their respective Commitments but, in any case, only to the extent that (x) the conditions set forth in Section 3.02 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time) and (y) the sum of (1) the aggregate principal amount of such Lenders' outstanding Loans and (2) the aggregate amount such Lenders' Facility Letter of Credit Obligations does not exceed the total of the Commitments of all Lenders that are not Defaulting Lenders, provided that such reallocation shall not cause any Lender's Facility Letter of Credit Obligations to exceed its Facility Letter of Credit Sublimit; (ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected (as reasonably determined by the Agent), the Borrower shall within two (2) Business Days following notice by the Agent cash collateralize such Defaulting Lender's Facility Letter of Credit Obligations (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.19.12 for so long as such Facility Letter of Credit Obligations are outstanding; (iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's Facility Letter of Credit Obligations pursuant to this clause (a), the Borrower shall not be required to pay any Facility Letter of Credit Fees to such Defaulting Lender pursuant to Section 2.19.6 with respect to such Defaulting Lender's Facility Letter of Credit Obligations during the period such Defaulting Lender's Facility Letter of Credit Obligations are cash collateralized; (iv) if the Facility Letter of Credit Obligations of the non-Defaulting Lenders is reallocated pursuant to this Section 2.19.14(a), then the fees payable to the Lenders pursuant to Section 2.19.6 shall be adjusted in accordance with such non-Defaulting Lenders' reallocated Facility Letter of Credit Obligations; and (v) if any Defaulting Lender's Facility Letter of Credit Obligations are neither cash collateralized nor reallocated pursuant to this Section 2.19.14(a), then, without prejudice to any rights or remedies of the Issuers or any Lender hereunder, all Facility Letter of Credit Fees payable under Section 2.19.6 with respect to such Defaulting Lender's Facility Letter

of Credit Obligations shall be payable to the applicable Issuer until such Facility Letter of Credit Obligations are cash collateralized and/or reallocated.

(b) Subject to the provisions of Section 2.19.14(c), no Issuer shall be required to issue, amend (other than to reduce) or increase any Facility Letter of Credit unless it is satisfied that the related exposure will be 100% covered by the Commitments of non-Defaulting Lenders and/or cash collateral has been provided by the Borrower in accordance with Section 2.19.14(a).

(c) Notwithstanding the provisions of Sections 2.19.14(a) and (b), if within three (3) Business Days following the Agent's notice under Section 2.19.14(a) the Borrower shall by notice to the Agent advise the Agent that the Borrower intends to effect the assignment by such Defaulting Lender of all of its right, title and interest under this Agreement to a Person that is not a Defaulting Lender (subject to and in accordance with the provisions of Sections 2.18 and 11.02), the date by which the Borrower shall be required to comply with the provisions of Section 2.19.14(a) shall be extended to the 14th day after the date of the Agent's notice; provided, however, that such extension shall not extend the date by which the Borrower is obligated to cash collateralize Facility Letters of Credit pursuant to any other provisions of this Agreement. A Defaulting Lender shall not be obligated to assign its interest under this Agreement except to the extent that the provisions of Section 2.18 require an assignment.

(d) If the Borrower, the Agent and each Issuer agree in writing that a Lender is no longer a Defaulting Lender, the Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Facility Letters of Credit to be held pro rata by the Lenders in accordance with the Commitments (without giving effect to Section 2.19.14(a)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(e) Any payment of principal, interest, fees or other amounts received by the Agent for the account of a Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Agent from a Defaulting Lender pursuant to Section 8.02 shall be applied at such time or times as may be determined by the Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any Issuer hereunder; third, to cash collateralize the Issuers' Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.19.14(a); fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Agent; fifth, if so determined by the Agent and the Borrower, to be held in a deposit account and

released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) cash collateralize the Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Facility Letters of Credit issued under this Agreement, in accordance with Section 2.19.14(a); sixth, to the payment of any amounts owing to the Lenders or the Issuers as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Issuers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Facility Letters of Credit were issued at a time when the conditions set forth in Section 3.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and Facility Letter of Credit disbursements owed to, all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or Facility Letter of Credit disbursements owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in Facility Letter of Credit Obligations are held by the Lenders pro rata in accordance with the Commitments under the Facility without giving effect to Section 2.19.14(a). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this Section 2.19.14(e) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

### ARTICLE III CONDITIONS PRECEDENT

**Section 3.01 Conditions Precedent to Closing Date.** This Agreement and the Commitments of each Lender shall be effective on the date (the "Closing Date") on which each of the following conditions precedent shall have been satisfied or waived by the Agent and each Lender:

- (1) **Second Successor Agency and Amendment Agreement.** The "Effective Date" shall have occurred under the Second Successor Agency and Amendment Agreement in accordance with its terms.
- (2) **Credit Agreement.** The Agent shall have received this Agreement duly executed by each of the parties hereto.
- (3) **Notes.** Each Lender that so requests shall have received a Note payable to such Lender duly executed by the Borrower, and the promissory notes issued to lenders under the Existing Credit Agreement shall have been delivered to the Borrower for cancellation upon the Closing Date.

(4) **Second Amended and Restated Guaranty.** The Agent shall have received the Amended and Restated Guaranty, duly executed by each Guarantor listed in Schedule III, and each such Guaranty shall be in full force and effect.

(5) **Second Amended and Restated Collateral Agreement.** The Agent shall have received the Second Amended and Restated Collateral Agreement, duly executed by each party thereto (provided that the Borrower may designate one or more schedules as to be updated as required pursuant to Section 3.02).

(6) **No Default or Event of Default; Representations and Warranties.** The following statements shall be true and the Agent shall have received a certificate, substantially in the form of the certificate attached hereto as Exhibit D, signed by a duly authorized Financial Officer of the Borrower dated the Closing Date, stating that:

(a) The representations and warranties contained in Article IV of this Agreement are correct in all material respects on and as of such date except to the extent that any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty is correct in all material respects as of such earlier date, provided that in each case, any representation or warranty that is qualified as to “materiality” or “material adverse effect” shall be true and correct in all respects; and

(b) At the time of and immediately after such date, no Default or Event of Default has occurred and is continuing.

(7) **Secretary’s Certificates of the Loan Parties.** The Agent shall have received a certificate of the Secretary or an Assistant Secretary of the Borrower, each corporate Guarantor, or the general partner of each limited partnership Guarantor or managing member of each limited liability company Guarantor, as the case may be, certifying (A) the names and true signatures of each officer, partner, member or other representative of the Borrower and such Guarantor who has been authorized to execute and deliver this Agreement, the Notes, the Second Amended and Restated Guaranty, and any other Loan Document or other document required to be executed and delivered by or on behalf of the Borrower and such Guarantor under this Agreement, (B) that the attached copies of the certificate of incorporation and by-laws of the Borrower and such corporate Guarantor, or certificate of limited partnership and limited partnership agreement of such limited partnership Guarantor, or certificate of formation and limited liability company or operating agreement of each limited liability company guarantor, or equivalent applicable constituent documents of such Guarantor, which have each been certified as of a recent date by the Secretary of State in which

the Borrower and such Guarantor was formed or organized, have not been amended except as set forth therein and remain in full force and effect and (C) the attached copy of resolutions of the Board of Directors of the Borrower and such corporate Guarantor, or the consents of such limited partnership or limited liability company Guarantor, approving and authorizing the execution, delivery and performance of this Agreement, the Notes, the Second Amended and Restated Guaranty and the other Loan Documents to which it is a party.

(8) **Good Standing Certificates of the Loan Parties.** The Agent shall have received a recently dated certificate of good standing for each Loan Party issued by the secretary of state or other appropriate governmental officer in each such Loan Party's jurisdiction of incorporation or formation.

(9) **Opinions of Counsel.** The Agent shall have received, on behalf of itself, the Lenders and the Issuers, the favorable written opinions of (A) King & Spalding LLP, counsel for the Borrower and for certain of the Guarantors and (B) each local counsel listed on Schedule 3.01(9), in each case (w) dated on the Closing Date, (x) addressed to the Agent, the Lenders and the Issuers, (y) in form and substance reasonably satisfactory to the Agent, and (z) covering such matters relating to the Loan Documents and the Transactions as the Agent shall reasonably request, and the Borrower and the applicable Guarantors hereby request such counsel to deliver such opinions.

(10) **Other Legal Matters.** All legal matters incident to this Agreement, the Borrowings and other extensions of credit hereunder and the other Loan Documents shall be reasonably satisfactory to the Lenders, to the Issuer and to the Agent.

(11) **Financial Statements.** The Lenders shall have received the financial statements referred to in Section 4.04, none of which shall demonstrate a material adverse change in the business, assets, liabilities, financial condition or results of operations of the Borrower and its Subsidiaries, taken as a whole, since September 30, 2011;

(12) **Debt.** All principal, premium, if any, interest, fees and other amounts due or outstanding under the Existing Credit Agreement shall have been paid in full and the Agent shall have received reasonably satisfactory evidence thereof. Immediately after giving effect to the Transactions and the other transactions contemplated hereby, the Borrower and its Subsidiaries shall have outstanding no Debt or Preferred Stock other than Debt or Preferred Stock outstanding under this Agreement or permitted by this Agreement.

(13) **Solvency Certificate.** The Agent shall have received a certificate from the chief financial officer of the Borrower certifying that the

Loan Parties, taken as a whole, after giving effect to the Transactions to occur on the Closing Date, are solvent.

(14) **Security Documents.** Except with respect to Mortgaged Properties, the Security Documents shall have been duly executed by each Loan Party that is to be a party thereto and shall be in full force and effect on the Closing Date. Except with respect to Mortgaged Properties, the Agent on behalf of the Secured Parties shall have a first-priority perfected security interest (subject to Liens permitted by Section 6.01, provided that Liens required by Section 6.01 to be junior to the Liens securing the Facility are, in fact, junior to the Liens securing the Facility) in the Collateral described in each Security Document.

(15) **Perfection Certificate and Lien Searches.** The Agent shall have received a Perfection Certificate with respect to the Loan Parties dated the Closing Date and duly executed by a Responsible Officer of the Borrower, and shall have received the results of a search of the Uniform Commercial Code filings (or equivalent filings) made with respect to the Loan Parties in the states (or other jurisdictions) of formation of such Persons, in which the chief executive office of each such Person is located and in the other jurisdictions in which such Persons maintain property, in each case as indicated on such Perfection Certificate, together with copies of the financing statements (or similar documents) disclosed by such search, and accompanied by evidence reasonably satisfactory to the Agent that the Liens indicated in any such financing statement (or similar document) would be permitted under Section 6.01 or have been or will be contemporaneously released or terminated.

(16) **Insurance.** The Agent shall have received a copy of, or a certificate as to coverage under, the insurance policies required by Section 5.05 and the applicable provisions of the Security Documents, each of which shall be endorsed or otherwise amended to include a customary lender's loss payable endorsement and to name each of the Secured Parties as additional insureds as their interests may appear, in form and substance satisfactory to the Agent.

(17) **Intercreditor Documents.** The Agent shall have received: (a) satisfactory evidence that the Borrower has delivered the Permitted Refinancing Notice, as defined and specified in the Intercreditor Agreement, to the agents party to the Intercreditor Agreement, (b) a copy of the Intercreditor Agreement (including any amendments, joinders and notices previously delivered thereunder), certified by a Responsible Officer of the Borrower as true, complete and correct, and (c) the Borrower's countersignature to the Additional Joinder Agreement, as defined and

specified in the Intercreditor Agreement, for delivery by the Agent to the agents party to the Intercreditor Agreement.

(18) **Approvals and Consents.** All requisite Governmental Authorities and third parties shall have approved or consented to the Transactions and the other transactions contemplated hereby to the extent required, all applicable appeal periods shall have expired and there shall not be any pending or threatened litigation, governmental, administrative or judicial action that could reasonably be expected to restrain, prevent or impose burdensome conditions on the Transactions or the other transactions contemplated hereby.

(19) **KYC Documentation.** The Lenders shall have received, to the extent requested, all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act.

(20) **Closing Fee.** The Borrower shall have paid (a) a cash fee to the Agent in accordance with the terms of the Agent’s Fee Letter and (b) cash fees in accordance with the terms of the Fee Letter.

(21) **Costs and Expenses.** The Agent shall have received all fees and other amounts due and payable on the Closing Date, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document.

(22) **Other Documents.** The Agent shall have received such other and further documents as any Lender, any Issuer or the Agent or its counsel may have reasonably requested.

**Section 3.02** Conditions Precedent to All Loans and Facility Letters of Credit. The obligation of each Lender to make each Loan and of each Issuer to issue, extend or amend to increase the face amount of each Facility Letter of Credit shall be subject to the further conditions precedent that on the date of such Loan or such Issuance Date:

(1) The following statements shall be true and the Agent shall have received a certificate, substantially in the form of the certificate attached hereto as Exhibit D, signed by a duly authorized Financial Officer of the Borrower dated the date of such Loan or such Issuance Date, as applicable, stating that:

(a) The representations and warranties contained in Article IV of this Agreement are correct in all material respects on and as of the date of such Loan or such Issuance Date, as applicable, as though made on and as of such date except to the extent that any

such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty is correct in all material respects as of such earlier date, provided that in each case, any representation or warranty that is qualified as to “materiality” or “material adverse effect” shall be true and correct in all respects;

(b) No Default or Event of Default has occurred and is continuing, or would result from such Loan or such issuance, extension or amendment, as applicable; and

(c) The applicable conditions set forth in Schedule IV Mortgaged Property Conditions have been (and shall currently be) satisfied with respect to not less than \$750,000,000 (based on current book values), in the aggregate, of Real Properties of the Loan Parties (the “Specified Drawing Condition”).

(2) The Agent shall have received a notice of such Borrowing as required by Section 2.03 or, in the case of the issuance, amendment, extension or renewal of a Facility Letter of Credit, the applicable Issuer and the Agent shall have received a notice requesting the issuance, amendment, extension or renewal of such Facility Letter of Credit as required by Section 2.19.3.

(3) With respect to the issuance, amendment or extension of any Facility Letter of Credit:

(a) the Borrower shall have delivered to the Issuer of such Facility Letter of Credit at such times and in such manner as such Issuer may reasonably prescribe a Reimbursement Agreement and such other documents and materials as may be reasonably required pursuant to the terms thereof, and the proposed Facility Letter of Credit shall be reasonably satisfactory to such Issuer in form and content, provided, however, in the event of any conflict between the terms of this Agreement and the terms of the Reimbursement Agreement, the terms of this Agreement shall control; and

(b) as of the Issuance Date no order, judgment or decree of any court, arbitrator or governmental authority shall enjoin or restrain such Issuer from issuing the Facility Letter of Credit and no law, rule or regulation applicable to the Issuer and no directive from any governmental authority with jurisdiction over the Issuer shall prohibit such Issuer from issuing Letters of Credit generally or from issuing that Facility Letter of Credit; and

(4) The Agent shall have received such other approvals, opinions, or documents as any Lender or any Issuer through the Agent may reasonably request.



**ARTICLE IV  
REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants that:

**Section 4.01 Incorporation, Formation, Good Standing, and Due Qualification.** The Borrower, each Subsidiary, and each of the Guarantors is (in the case of a corporation) a corporation duly incorporated or (in the case of a limited partnership) a limited partnership duly formed or (in the case of a limited liability company) a limited liability company duly formed, validly existing, and in good standing under the laws of the jurisdiction of its incorporation or formation; has the power and authority to own its assets and to transact the business in which it is now engaged or proposed to be engaged; and is duly qualified and in good standing under the laws of each other jurisdiction in which such qualification is required, except where the failure to be so qualified would not reasonably be expected, in any one case or in the aggregate, to have a Material Adverse Effect.

**Section 4.02 Power and Authority.** The execution, delivery and performance by the Borrower and the Guarantors of the Loan Documents to which each is a party have been duly authorized by all necessary corporate, partnership or limited liability company action, as the case may be, and do not and will not (1) require any consent or approval of the stockholders of such corporation, partners of such partnership or members of such limited liability company (except such consents as have been obtained as of the date hereof); (2) contravene such corporation's charter or bylaws, such partnership's partnership agreement or such limited liability company's articles or certificate of formation or operating agreement; (3) violate, in any material respect, any provision of any law, rule, regulation (including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination, or award presently in effect having applicability to such corporation, partnership or limited liability company; (4) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease, or instrument to which such corporation, partnership or limited liability company is a party or by which it or its properties may be bound or affected; (5) result in, or require, the creation or imposition of any Lien, upon or with respect to any of the properties now owned or hereafter acquired by such corporation, partnership or limited liability company, other than Liens securing the Obligations; and (6) cause such corporation, partnership or limited liability company to be in default, in any material respect, under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award or any such indenture, agreement, lease or instrument.

**Section 4.03 Legally Enforceable Agreement.** This Agreement is, and each of the other Loan Documents previously delivered or when delivered under this Agreement are or will be legal, valid, and binding obligations of the Borrower or each Guarantor, as the case may be, enforceable against the Borrower or each Guarantor, as the case may be, in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally.

**Section 4.04 Financial Statements.** The consolidated balance sheet of the Borrower and its Subsidiaries as at September 30, 2011, and the consolidated statements of

operations, cash flow and changes to stockholders' equity of the Borrower and its Subsidiaries for the period of two fiscal quarters ended September 30, 2011, are complete and correct and fairly present as at such date the financial condition of the Borrower and its Subsidiaries and the results of their operations for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to the absence of footnotes and year-end adjustments), and since September 30, 2011, there has been no change or occurrence that has had a Material Adverse Effect. As of the Closing Date, there are no liabilities of the Borrower or any Subsidiary, fixed or contingent, which are material but are not reflected in the financial statements or in the notes thereto, other than (i) liabilities arising in the ordinary course of business since September 30, 2011, and (ii) the Senior Notes described in clauses (vi) and (vii) of the definition of the term "Senior Notes." No information, exhibit, or report furnished by the Borrower to any Lender in connection with the negotiation of this Agreement, taken together, contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

**Section 4.05 Labor Disputes and Acts of God.** Neither the business nor the properties of the Borrower or any Subsidiary or any Guarantor are affected by any fire, explosion, accident, strike, lockout, or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by insurance) having, in any one case or in the aggregate, a Material Adverse Effect. Except to the extent any of the following would not reasonably be expected to, in any one case or in the aggregate, have a Material Adverse Effect, (i) the hours worked by and payments made to employees of the Borrower and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, (ii) all payments due from the Borrower or any Subsidiary, or for which any claim may be made against the Borrower or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Borrower or such Subsidiary and (iii) the consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Borrower or any Subsidiary is bound.

**Section 4.06 Other Agreements.** Neither the Borrower nor any Significant Subsidiary nor any Significant Guarantor is a party to any indenture, loan, or credit agreement, or to any lease or other agreement or instrument or subject to any charter, corporate or other restriction which could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Significant Subsidiary nor any Significant Guarantor is in default in any respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument to which it is a party, in any case where such default could reasonably be expected to have a Material Adverse Effect.

**Section 4.07 Litigation.** Except as disclosed in Schedule 4.07 or Schedule 4.14, or reflected in or reserved for in the financial statements referred to in Section 4.04, there is no pending or, to the knowledge of the Borrower or any Guarantor, threatened action, suit or proceeding at law or in equity against or affecting the Borrower or any Significant Subsidiary or any Significant Guarantor or any business, property or rights of any such Person before any court,

governmental agency, or arbitrator, which would reasonably be expected to have a Material Adverse Effect.

**Section 4.08 No Defaults on Outstanding Judgments or Orders.** Except for judgments with respect to which the uninsured liability of the Borrower, each Significant Subsidiary and each Significant Guarantor does not exceed \$10,000,000 in the aggregate for all such judgments, the Borrower, each Significant Subsidiary and each Significant Guarantor have satisfied all final, non-appealable judgments. None of the Borrower, any Significant Subsidiary or any Significant Guarantor is in default with respect to any judgment, writ, injunction, decree, ruling or order of any court, arbitrator, or federal, state, municipal, or other governmental authority, commission, board, bureau, agency, or instrumentality, domestic or foreign, except for defaults with respect to (a) any monetary judgment, writ, injunction, decree, ruling or order with respect to which the uninsured liability of the Borrower, each Significant Subsidiary and each Significant Guarantor does not exceed \$10,000,000 in the aggregate for all such defaults or (b) any non-monetary judgment, writ, injunction, decree, ruling or order which would not reasonably be expected, in any one case or in the aggregate, to have a Material Adverse Effect and which would not constitute an Event of Default hereunder.

**Section 4.09 Properties and Liens.**

(a) As of the Closing Date and of as the date of the granting of a Lien on any Mortgaged Property as required pursuant to Sections 5.17 and 5.18 hereof, the Borrower, each Guarantor and each other Subsidiary have good and marketable title to, or valid leasehold interests in, all of their respective properties and assets, real and personal, including all of the Mortgaged Properties and the properties and assets and leasehold interests reflected in the financial statements referred to in Section 4.04 (other than any properties or assets disposed of in the ordinary course of business or as otherwise expressly permitted by this Agreement). None of the properties and assets owned by the Borrower, any Guarantor or any other Restricted Subsidiary and none of their leasehold interests is subject to any Lien, except such as may be permitted pursuant to Section 6.01 (provided that any Liens required by Section 6.01 to be junior to the Liens securing the Facility are, in fact, junior to such Liens securing the Facility).

(b) The Borrower, each Guarantor and each other Subsidiary (i) have complied with all obligations under all leases to which it is a party and all such leases are in full force and effect, and (ii) enjoy peaceful and undisturbed possession under all such leases, in each case except where failure to so comply or to have such possession would not reasonably be expected to have a Material Adverse Effect.

(c) No Responsible Officer of the Borrower, any Subsidiary or any Guarantor has received any notice of, nor has any actual knowledge of, any pending, contemplated, or threatened condemnation proceeding affecting any material portion of the Mortgaged Properties or any sale or disposition thereof in lieu of such condemnation that has not been reported in writing to the Agent.

(d) None of the Borrower, any Subsidiary or any Guarantor is obligated under any right of first refusal, option or other contractual right to sell, assign or otherwise dispose of any

material portion of any Mortgaged Property or any interest therein, other than any such rights granted or created in the ordinary course of business.

(e) No structures (within the meaning of the Flood Program) located on any Mortgaged Property are situated in Flood Zones unless flood insurance has been obtained if, and to the extent, required by Section 5.05.

**Section 4.10 Subsidiaries and Ownership of Stock.** Set forth in Schedule 4.10 hereto is a complete and accurate list, as of the Closing Date, of the Subsidiaries of the Borrower, showing the jurisdiction of incorporation or formation of each and showing the percentage of the Borrower's ownership of the outstanding stock or partnership interest or membership interest of each Subsidiary. All of the outstanding Capital Stock of each such corporate Subsidiary has been validly issued, is fully paid and nonassessable, and, except as a result of an Internal Reorganization or a transaction permitted by Sections 6.03 or 6.06, is owned, directly or indirectly, by the Borrower free and clear of all Liens. The limited partnership agreement of each such limited partnership Subsidiary is in full force and effect and has not been amended or modified, except for such amendments or modifications as are delivered to the Agent under Section 3.01. As of the Closing Date, each of the Guarantors is a Wholly-Owned Subsidiary of the Borrower.

**Section 4.11 ERISA.** The Borrower and each Subsidiary and each Guarantor are in compliance in all material respects with all applicable provisions of ERISA and the Code. Except to the extent the occurrence of any of the following, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, (i) neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; (ii) no notice of intent to terminate a Plan has been filed, nor has any Plan been terminated; (iii) no circumstances exist which constitute grounds entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; (iv) neither the Borrower nor any Commonly Controlled Entity has completely or partially withdrawn from a Multiemployer Plan under circumstances that could subject the Borrower or any Subsidiary to withdrawal liabilities; (v) the Borrower and each Commonly Controlled Entity have met their minimum funding requirements under ERISA with respect to all of their Plans and the present value of all vested benefits under each Plan does not exceed the fair market value of all Plan assets allocable to such benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA; and (vi) neither the Borrower nor any Commonly Controlled Entity has incurred any liability to the PBGC under ERISA.

**Section 4.12 Operation of Business.** The Borrower, each Subsidiary and each Guarantor possess all licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct their respective businesses substantially as now conducted and as presently proposed to be conducted and the Borrower and each of its Subsidiaries and each Guarantor are not in violation of any valid rights of others with respect to any of the foregoing, in each case where the failure to possess such licenses, permits, franchises, patents, copyrights, trademarks, trade names or rights thereto or the violation of the valid rights of others with respect thereto could reasonably be expected to, in any one case or in the aggregate, have a Material Adverse Effect.

**Section 4.13 Taxes.** All federal and state income tax liabilities or income tax obligations, and all other material income tax liabilities or material income tax obligations, of the Borrower, each Subsidiary and each Guarantor have been timely paid or have been accrued by or reserved for by the Borrower, except to the extent being contested as provided in Section 5.13. All federal and state income tax returns and other material tax returns required to be filed by the Borrower, each Subsidiary and each Guarantor have been timely filed, and such tax returns, taken as a whole, are complete and correct in all material respects. The Borrower constitutes the parent of an affiliated group of corporations for purposes of filing a consolidated United States federal income tax return.

**Section 4.14 Laws; Environment.** Except as disclosed in Schedule 4.14 hereto or except where failure to comply with or satisfy any of the following would not reasonably be expected to, in any one case or in the aggregate, have a Material Adverse Effect: (a) the Borrower, each Subsidiary and each Guarantor have duly complied, and their businesses, operations, assets, equipment, property, leaseholds, or other facilities are in compliance, in all respects, with the provisions of all federal, state, and local statutes, laws, codes, and ordinances and all rules and regulations promulgated thereunder (including without limitation those relating to the environment, health and safety); (b) the Borrower, each Subsidiary and each Guarantor have been issued and will maintain all required federal, state, and local permits, licenses, certificates, and approvals relating to (1) air emissions; (2) discharges to surface water or groundwater; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or hazardous wastes (intended hereby and hereafter to include any and all such materials listed in any federal, state, or local law, code, or ordinance and all rules and regulations promulgated thereunder as hazardous); or (6) other environmental, health or safety matters; (c) no Responsible Officer of the Borrower, any Subsidiary or any Guarantor has received notice of, or has knowledge of any violations of any federal, state, or local environmental, health, or safety laws, codes or ordinances or any rules or regulations promulgated thereunder with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities; (d) except in accordance with a valid governmental permit, license, certificate or approval, there has been no emission, spill, release, or discharge into or upon (1) the air; (2) soils, or any improvements located thereon; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any toxic or hazardous substances or hazardous wastes at or from the premises, in each case related to the premises of the Borrower, each Subsidiary and each Guarantor; and accordingly the premises of the Borrower, each Subsidiary and each Guarantor have not been adversely affected, in any respect, by any toxic or hazardous substances or wastes; (e) there has been no complaint, order, directive, claim, citation, or notice by any governmental authority or any person or entity and, to the knowledge of the Borrower, any Subsidiary or any Guarantor, none is threatened, with respect to violations of law or damages by reason of Borrower's or any Subsidiary's (1) air emissions; (2) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the premises; (3) noise emissions; (4) solid or liquid waste disposal at any location; (5) use, generation, storage, transportation, or disposal of toxic or hazardous substances or hazardous waste at any location; or (6) other environmental, health or safety matters affecting the Borrower, any Subsidiary or any Guarantor or its business, operations, assets, equipment, property, leaseholds, or other facilities; and (f) neither the Borrower nor any Subsidiary nor any

Guarantor has any indebtedness, obligation, or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup, or disposal of any solid wastes, hazardous wastes, or other toxic or hazardous substances (including without limitation any such indebtedness, obligation, or liability with respect to any current regulation, law, or statute regarding such storage, treatment, cleanup, or disposal).

**Section 4.15 Investment Company Act.** Neither the Borrower nor any Subsidiary thereof is an “investment company” or a company “controlled” by an “investment company,” within the meaning of the Investment Company Act of 1940, as amended.

**Section 4.16 OFAC; Foreign Corrupt Practices Act; USA Patriot Act.** (a) None of the Borrower, the Guarantors or their respective directors or officers nor, to the knowledge of any Responsible Officer of any Loan Party, any agent, employee or other person acting, directly or indirectly, on behalf of any of the foregoing, is (or will be) a person with whom, to the knowledge of such Responsible Officer, any Lender is restricted from doing business under regulations of the Office of Foreign Asset Control (“OFAC”) of the Department of the Treasury of the United States of America (including, those Persons named on OFAC’s Specially Designated and Blocked Persons list) or under any statute, executive order (including, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and, to the knowledge of such Responsible Officer, is not and shall not engage in any dealings or transactions or otherwise be associated with such persons. In addition, Borrower hereby agrees to provide to any Lender with any additional information that such Lender deems necessary from time to time in order to ensure compliance with all applicable Laws concerning money laundering and similar activities.

(b) None of the Borrower, the Guarantors or their respective directors or officers nor, to the knowledge of any Responsible Officer of any Loan Party, any of their respective Affiliates or any agent, employee or other person acting, directly or indirectly, on behalf of any of the foregoing, is in violation of any Legal Requirements relating to terrorism or money laundering (“Anti-Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”) and the USA Patriot Act.

(c) None of the Borrower, the Guarantors or their respective directors or officers nor, to the knowledge of any Responsible Officer of any Loan Party, any agent, broker, employee or other person acting, directly or indirectly, on behalf of any of the foregoing, in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in Section 4.16(a), (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(d) None of the Borrower, the Guarantors or their respective directors or officers, nor, to the knowledge of any Responsible Officer of any Loan Party, any agent, employee or other person acting, directly or indirectly, on behalf of any of the foregoing, has, in the course of its actions for, or on behalf of, the Loan Parties, directly or indirectly, offered, paid, authorized, or ratified any

bribe, kickback, or other similar payment in violation of any applicable law, including, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, any federal or state law prohibiting bribery of public officials, any laws prohibiting commercial bribery, or any other anti-corruption law in any jurisdiction where the Borrower or any of its Subsidiaries do business.

**Section 4.17 Accuracy of Information.** The representations and warranties by the Borrower or any Guarantor contained herein or in any other Loan Document or made hereunder or in any other Loan Document and the certificates, schedules, exhibits, reports or other documents provided or to be provided by the Borrower or any Guarantor in connection with the transactions contemplated hereby or thereby (including, without limitation, the negotiation of and compliance with the Loan Documents), when taken as a whole, do not contain and will not contain a misstatement of a material fact or omit to state a material fact required to be stated therein in order to make the statements contained therein, in the light of the circumstances under which made, not materially misleading at the time such statements were made or are deemed made.

**Section 4.18 Security Documents.**

(a) The Collateral Agreement is effective until release thereof permitted under this Agreement to create in favor of the Agent, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Collateral described in the Collateral Agreement, the Collateral Agreement constitutes a fully perfected Lien on all right, title and interest of the Borrower and the Guarantors in such Collateral (other than such Collateral in which a security interest cannot be perfected by filing of a financing statement under the Uniform Commercial Code as in effect at the relevant time in the relevant jurisdiction) and the proceeds thereof, as security for the Obligations (as defined in the Collateral Agreement), in each case prior and superior in right to any other Person except Liens expressly permitted under Section 6.01, provided that Liens required by Section 6.01 to be junior to the Liens securing the Facility are, in fact, junior to the Liens securing the Facility.

(b) The Mortgages, upon execution and delivery thereof, are effective to create in favor of the Agent, for the benefit of the Secured Parties, a legal, valid and enforceable Lien on the Mortgaged Properties described therein and proceeds thereof, and when the Mortgages are filed in the appropriate recording offices, each such Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of Borrower and the Guarantors in the Mortgaged Properties and the proceeds thereof, as security for the Obligations (as defined in the relevant Mortgage), in each case prior and superior in right to any other Person except Liens expressly permitted under Sections 6.01, provided that Liens required by Section 6.01 to be junior to the Liens securing the Facility are, in fact, junior to the Liens securing the Facility.

(c) The Borrower has granted, or pursuant to Section 5.18(a), shall grant, or has caused the Guarantors to grant or, pursuant to Section 5.18(a), shall cause the Guarantors to grant, Mortgages in favor of the Agent for the benefit of the Secured Parties, effective to create legal, valid and enforceable first priority Liens (subject only to Liens expressly permitted under Sections 6.01, provided that Liens required by Section 6.01 to be junior to the Liens securing the Facility are, in fact, junior to the Liens securing the Facility) on (i) all of the Real Property owned by the Borrower or any Guarantor other than Excluded Property and Real Property for which the Borrower or the

applicable Guarantor is not required to deliver a Mortgage as expressly provided in this Agreement and (ii) substantially all of the Real Property owned by the Borrower, the Guarantors and/or the Restricted Subsidiaries of the Borrower which are necessary to operate the businesses of the Borrower, the Guarantors and/or the Restricted Subsidiaries of the Borrower in the ordinary course.

**Section 4.19 Governmental Approvals.** No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except for (a) the filing of Uniform Commercial Code financing statements and filings with the United States Patent and Trademark Office and the United States Copyright Office, (b) recordation of the Mortgages and (c) such as have been made or obtained and are in full force and effect.

**Section 4.20 Insurance.** The insurance information furnished to the Agent pursuant to Section 3.01(16) includes a true, complete and correct description of all insurance maintained by the Borrower or by the Borrower for its Subsidiaries as of the Closing Date. As of such date, such insurance is in full force and effect and all premiums then due and payable have been duly paid. The Borrower and its Subsidiaries have insurance in such amounts and covering such risks and liabilities as are customary under industry practice.

**Section 4.21 Location of Real Property and Leased Premises.** Exhibit II to the Perfection Certificate delivered by the Borrower pursuant to Section 3.01(15) lists completely and correctly, as of the Closing Date, all Real Property (other than Excluded Property) owned in fee by the Borrower and the Loan Parties and all material Real Property leased by the Borrower and the other Loan Parties.

**Section 4.22 First Priority Obligations.** The Obligations constitute “First Priority Obligations” under and as defined in the Intercreditor Agreement. The Obligations constitute “First Priority Obligations” under and as defined in the Base Indenture 2012.

**Section 4.23 Solvency.** Immediately after the consummation of the Transactions to occur on the Closing Date and immediately following the making of each Loan and after giving effect to the application of the proceeds of each Loan, (a) the fair value of the assets of the Loan Parties, taken as a whole, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the properties of the Loan Parties, taken as a whole, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Loan Parties, taken as a whole, will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Loan Parties, taken as a whole, will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are now proposed to be conducted following the Closing Date.

**Section 4.24 Intellectual Property.** The Borrower, each Subsidiary and each Guarantor owns or is licensed to use, free and clear of all Liens (other than Liens permitted by Section 6.01, provided that the Liens required by Section 6.01 to be junior to the Liens securing the Facility are, in fact, junior to the Liens securing the Facility), all patents and patent applications,



trademarks, trade names, service marks, copyrights, domain names and applications for registration thereof, and technology, trade secrets, proprietary information, inventions, know-how and processes, in each case necessary for the conduct of its business as currently conducted (the “Intellectual Property”), except for those the failure to own or license which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

**Section 4.25 Margin Stock.** None of the Borrower or its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing, buying or carrying Margin Stock.

## **ARTICLE V AFFIRMATIVE COVENANTS**

So long as any Loan shall remain unpaid or any Facility Letter of Credit Obligations shall remain outstanding or any Lender shall have any Commitment under this Agreement, the Borrower will (unless otherwise agreed to by the Required Lenders in writing):

**Section 5.01 Maintenance of Existence.** Preserve and maintain, and cause each Subsidiary to preserve and maintain (except for a Subsidiary that ceases to maintain its existence solely as a result of an Internal Reorganization), its corporate, limited partnership or limited liability company existence and good standing in the jurisdiction of its incorporation or formation and qualify and remain qualified to transact business in each jurisdiction in which such qualification is required except where the failure to so qualify to transact business would not reasonably be expected to have a Material Adverse Effect.

**Section 5.02 Maintenance of Records.** Keep and cause each Subsidiary to keep, adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrower and its Subsidiaries.

**Section 5.03 Maintenance of Properties.** Maintain, keep, and preserve, and cause each Subsidiary to maintain, keep, and preserve, all of its material properties (tangible and intangible, real and personal, and including, without limitation, the Mortgaged Properties) necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear and casualty excepted.

**Section 5.04 Conduct of Business.** Do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of the business of the Borrower or any Subsidiary.

**Section 5.05 Maintenance of Insurance.** Maintain, and cause each Subsidiary to maintain, insurance with financially sound reputable insurance companies or associations (or, in the case of insurance for construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Subsidiaries or UHIC) in such amounts and covering such risks as are customarily carried by companies engaged in the same or a similar

business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof. In addition, subject to Section 2.01.2(b) and the last sentence of Section 5.18(a), if any structure on any Mortgaged Property is located in a Flood Zone, then the Borrower shall maintain or cause its applicable Subsidiary to maintain, a policy of flood insurance as described in item (3) of Schedule IV Mortgaged Property Conditions.

**Section 5.06 Compliance with Laws.** Comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, rules, regulations, and orders, the noncompliance with which would reasonably be expected to, in any one case or in the aggregate, have a Material Adverse Effect, and such noncompliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property, other than any such taxes, assessments and charges being contested by the Borrower or such Subsidiary, as applicable, in good faith; and with respect to the matters disclosed in Schedule 4.14, implement prudent measures to achieve compliance with all relevant laws and regulations within a reasonable time and in accordance with requirements negotiated with applicable regulatory agencies.

**Section 5.07 Right of Inspection.** At any reasonable time and from time to time, permit the Agent, any Lender or any of their respective agents, representatives or independent contractors to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any Subsidiary, and to discuss the affairs, finances, and accounts of the Borrower and any Subsidiary with any of their respective officers and directors and the Borrower's independent accountants.

**Section 5.08 Reporting Requirements.** Furnish to the Agent for delivery to each Lender and Issuer, as applicable:

(1) **Quarterly financial statements.** As soon as available and in any event within fifty (50) days after the end of each of the first three quarters of each fiscal year of the Borrower, an unaudited condensed consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter, unaudited condensed consolidated statements of operations and cash flow of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, and unaudited condensed consolidated statements of changes in stockholders' equity of the Borrower and its Subsidiaries for the portion of the fiscal year ended with the last day of such quarter along with management's discussion and analysis of the financial condition and results of operations for such fiscal quarter, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP consistently applied and certified by the chief financial officer of the Borrower (subject to year-end adjustments); the timely filing by the Borrower of the Borrower's quarterly 10-Q report with the Securities and Exchange Commission shall satisfy the foregoing requirements.

(2) **Annual financial statements.** As soon as available and in any event within ninety-five (95) days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year, consolidated statements of operations and cash flow of the Borrower and its Subsidiaries for such fiscal year, and consolidated statements of changes in stockholders' equity of the Borrower and its Subsidiaries for such fiscal year along with management's discussion and analysis of the financial condition and results of operations for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP consistently applied and accompanied by an opinion thereon acceptable to the Agent by Deloitte & Touche or other independent accountants selected by the Borrower and acceptable to the Agent; the timely filing by the Borrower of the Borrower's annual 10-K report with the Securities and Exchange Commission shall satisfy the foregoing requirements.

(3) **Budget.** Within fifty (50) days after the beginning of each fiscal year of the Borrower, a detailed consolidated budget for such fiscal year (including a projected consolidated balance sheet and related statements of projected operations and cash flows as of the end of and for such fiscal year and setting forth the assumptions used for purposes of preparing such budget) broken down by quarter and, promptly when available, any significant revisions of such budget.

(4) **Financial Covenant Certificate and Officer's Certificate.** Not later than the 30<sup>th</sup> calendar day following the last calendar day of each calendar month, deliver to the Agent (i) a duly completed and executed Financial Covenant Certificate of a Financial Officer of the Borrower setting forth in reasonable detail the calculation of the Housing Collateral Ratio and Aggregate Collateral Ratio and (ii) an Officer's Certificate certifying that (A) all of the Ordinary Course Releases that have occurred during such calendar month were in compliance with all of the terms of this Agreement and (B) the Release Conditions were satisfied with respect to the same.

(5) **Management letters.** Promptly upon receipt thereof, copies of any reports or "management letters" submitted to the Borrower or any Subsidiary by independent certified public accountants in connection with examination of the financial statements of the Borrower or any Subsidiary made by such accountants and the management's response thereto (subject to any applicable privileges with respect to such documents).

(6) **Quarterly compliance certificate.** Within fifty (50) days after the end of each of the first three quarters, and within ninety-five (95) days after the end of each fourth quarter, of each fiscal year of the Borrower,

a compliance certificate of the President or a Financial Officer of the Borrower (a) certifying the Borrower's compliance with, and setting forth in reasonable detail the computation of, the covenants set forth in Sections 6.02(13), 7.01 and 7.02, (b) certifying to and setting forth in reasonable detail the computation of the Debt Coverage Ratio and (c) certifying that, to the best of such officer's knowledge, no Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto.

(7) **Notice of litigation.** Promptly after the commencement thereof, notice of all actions, suits, and proceedings before any court or governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, affecting the Borrower or any Subsidiary which could reasonably be expected to result in a judgment against the Borrower or such Subsidiary in excess of \$10,000,000 (to the extent not covered by insurance) or could reasonably be expected to have a Material Adverse Effect.

(8) **Notice of Defaults and Events of Default.** As soon as possible and in any event within ten (10) days after the occurrence of each Default or Event of Default, a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by the Borrower with respect thereto.

(9) **ERISA reports.** As soon as possible, and in any event within thirty (30) days after any Responsible Officer of the Borrower or any Subsidiary knows or has reason to know that any circumstances exist that constitute grounds entitling the PBGC to institute proceedings to terminate a Plan subject to ERISA with respect to the Borrower or any Commonly Controlled Entity, and promptly but in any event within two (2) Business Days of receipt by the Borrower or any Commonly Controlled Entity of notice that the PBGC intends to terminate a Plan or appoint a trustee to administer the same, and promptly but in any event within five (5) Business Days of the receipt of notice concerning the imposition of withdrawal liability in excess of \$500,000 with respect to the Borrower or any Commonly Controlled Entity, the Borrower will deliver to each Lender a certificate of the chief financial officer of the Borrower setting forth all relevant details and the action which the Borrower proposes to take with respect thereto.

(10) **Proxy statements, etc.** Promptly after the sending or filing thereof, copies of all proxy statements, financial statements, and reports which the Borrower or any Subsidiary sends to its stockholders, and copies of all regular, periodic, and special reports, and all registration statements which the Borrower or any Subsidiary files with the Securities and Exchange

Commission or any governmental authority which may be substituted therefor, or with any national securities exchange; the timely filing by the Borrower of any of the foregoing items with the Securities and Exchange Commission shall satisfy the foregoing requirements.

(11) **Materially adverse developments.** Prompt written notice of any development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

(12) **Information Regarding Collateral.** Furnish to the Agent prompt written notice of any (a) change (i) in any Loan Party's corporate name, (ii) in the jurisdiction of organization or formation of any Loan Party, (iii) in any Loan Party's identity or corporate structure or (iv) in any Loan Party's Federal Taxpayer Identification Number (the Borrower agreeing not to effect or permit any such change unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Agent to continue at all times following such change to have a valid, legal and perfected security interest in the Collateral owned by such Loan Party) and (b) any material portion of the Collateral being damaged, destroyed or condemned or if the Borrower or any Subsidiary receives notice, or becomes aware of, any threatened condemnation of any material portion of the Collateral. In the case of the Borrower, each year, at the time of delivery of the annual financial statements with respect to the preceding fiscal year pursuant to Section 5.08(2), deliver to the Agent a certificate of a Financial Officer of the Borrower setting forth the information required pursuant to Section 2 of the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate delivered on the Closing Date or the date of the most recent certificate delivered pursuant to this Section 5.08.

(13) **KYC Documentation.** Promptly after the request by any Lender, all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act.

(14) **General information.** Such other information respecting the condition or operations, financial or otherwise, of the Borrower or any Subsidiary as any Lender may from time to time reasonably request.

**Section 5.09 [Intentionally Omitted].**

**Section 5.10 Environment.** Be and remain, and cause each Subsidiary to be and remain, in compliance with the provisions of all federal, state, and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations issued thereunder, except where the failure to so comply would not reasonably be expected to, in any one case or in the

aggregate, have a Material Adverse Effect; with respect to matters disclosed in Schedule 4.14, implement prudent measures to achieve compliance with all relevant laws and regulations within a reasonable time and in accordance with requirements negotiated with applicable regulatory agencies; notify the Agent promptly of any notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party (and the Agent shall notify the Lenders promptly following its receipt of any such notice from the Borrower); notify the Agent promptly of any hazardous discharge from or affecting its premises if (i) the storage, treatment or cleanup of such hazardous discharge (all in accordance with applicable laws and regulations) or (ii) the diminution in the value of the assets affected by such hazardous discharge, is reasonably expected to exceed \$500,000 (and the Agent shall notify the Lenders promptly following its receipt of any such notice from the Borrower); promptly use its commercially reasonable efforts to contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith; permit the Agent to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at the Agent's request, and at the Borrower's expense, provide a report of a qualified environmental engineer, reasonably satisfactory in scope, form, and content to the Agent, and such other and further assurances reasonably satisfactory to the Agent that the condition has been corrected.

**Section 5.11 Use of Proceeds.** Use the proceeds of the Loans solely as provided in Section 2.12.

**Section 5.12 Ranking of Obligations.** Ensure that at all times its Obligations under the Loan Documents shall be and constitute (i) unconditional general obligations of the Borrower ranking at least pari passu with all its other unsecured Debt and (ii) First Priority Obligations under and as defined in the Intercreditor Agreement.

**Section 5.13 Taxes.** Pay and cause each Subsidiary to pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

**Section 5.14 Condominium Regime or Subdivision Plan.** In the event a condominium regime or subdivision plan is hereafter imposed upon any of the Collateral or any portion thereof, Borrower shall modify the applicable Mortgage(s) if reasonably determined to be necessary by the Agent in order to preserve the first lien status of such Mortgage (but subject to any actions taken as provided in clause (C) or (D) of Section 2.01.2(c)). Borrower shall pay all reasonable fees (including reasonable attorney's fees) and costs and expenses associated with any of the actions taken under this Section 5.14 including, without limitation, (A) uniform commercial code searches, (B) judgment and tax lien searches, (C) recordation taxes, documentary taxes, transfer taxes and mortgage taxes, and (D) filing and recording fees, charges and expenses. In connection with such modification, each of the Lenders and the Agent hereby agrees that, in the event the consent or acknowledgment of the Agent, as the holder of a Mortgage or as beneficiary of a deed of trust encumbering such Mortgaged Property, is required under applicable law, then the Agent shall deliver its written consent or acknowledgment thereto or any other instrument reasonably necessary or appropriate to consummate the actions contemplated above (and in recordable form,

if so requested) as soon as reasonably practicable after receipt of the notice from the Borrower or any Guarantor. Each of the Lenders hereby consents to the execution and delivery of such consent as set forth above without the necessity of further action or consent on its part. Notwithstanding anything in this Section 5.14 to the contrary, the entry into and maintenance of the Servicing Arrangement shall be deemed to satisfy the obligations of the Agent with respect to any consent or authorization required to be given pursuant to this Section 5.14. If there is any conflict or inconsistency between any terms or provisions of the Servicing Arrangement and any terms or provisions of this Section 5.14, then the applicable terms and provisions of the Servicing Arrangement shall govern and control.

**Section 5.15 New Restricted Subsidiaries.** Within fifty (50) days after any Person becoming (or being designated) a Restricted Subsidiary, cause such Restricted Subsidiary to (i) execute and deliver to the Agent, for the benefit of the Lenders, a Supplemental Guaranty, (ii) become a Grantor under the Collateral Agreement by executing and delivering an assumption agreement to the Collateral Agreement substantially in the form of Annex I thereto, (iii) execute any other applicable Security Documents in favor of the Agent and (iv) deliver or cause to be delivered an opinion of counsel, certified copies of resolutions, articles of incorporation or other formation documents, incumbency certificates and other documents with respect to such Subsidiary and its Guaranty substantially similar to the documents delivered pursuant to Section 3.01 with respect to the Guarantors, all of which shall be reasonably satisfactory to the Agent in form and substance; provided that if and so long as any such Subsidiary has total assets the book value of which is not more than \$5,000,000, the Borrower shall not be required to comply with this Section. Ridings Development LLC shall not be required to deliver a Guaranty or any Security Document so long as the book value of its total assets is less than \$5,000,000.

**Section 5.16 Maintenance of Ratings.** Use commercially reasonable efforts to maintain a public corporate family rating from Moody's with respect to the Borrower.

**Section 5.17 After-Acquired Property.** If (a) property (other than Excluded Property) is acquired by the Borrower or any Guarantor that is not automatically subject to a perfected security interest under the Security Documents, (b) a Subsidiary becomes a Guarantor or (c) property that was Excluded Property ceases to be Excluded Property, then the Borrower or such Guarantor shall, as soon as practical (but in any event within sixty (60) days or such longer period as the Agent may agree in its discretion) after such property's acquisition or it no longer being Excluded Property, provide a Mortgage and satisfy each of the other conditions set forth in Schedule IV-Mortgaged Property Conditions, to the extent applicable, and the other related Security Documents, to the extent applicable, with respect to such property (or, in the case of a new Guarantor, all of its assets except Excluded Property); provided that the failure to deliver such Mortgage (and satisfy the other applicable conditions set forth in Schedule IV-Mortgaged Properties Conditions) with respect to any Real Property within any such sixty (60)-day or longer period (as the Agent may agree in its discretion) shall not constitute a Default under this Agreement until such time as the aggregate book value of Real Properties for which Mortgages (and related documents) have not been delivered within such sixty (60)-day or longer periods (as the Agent may agree in its discretion) (and remain undelivered at the time of determination) exceeds \$25,000,000. In furtherance of the foregoing, the Borrower will give prompt notice to the Agent of the acquisition by it or any of the

Subsidiaries of a fee interest in any Real Property with a book value equal to or greater than \$75,000,000 that is not Excluded Property. Notwithstanding anything to the contrary set forth in this Agreement or any other Loan Document, (a) the Borrower shall not be required to provide a Mortgage or satisfy the other conditions set forth in Schedule IV-Mortgaged Property Conditions, to the extent applicable, which respect to any Real Property upon which any structure is located in a Flood Zone for so long as the Borrower maintains compliance with Section 7.01 after giving pro forma effect to the exclusion of any such Real Property from the Collateral and (b) the Borrower and the Guarantors shall not be required to provide a Mortgage on, satisfy the other conditions set forth in Schedule IV-Mortgaged Property Conditions with respect to, grant a security interest to the Agent in or satisfy the other conditions set forth in any Security Document with respect to, any property that is not wholly-owned by the Borrower and the Guarantors to the extent that the Borrower or any applicable Guarantor is prohibited from doing so by the terms of any joint venture or similar agreement applicable to such property. Notwithstanding anything in this Section 5.17 to the contrary, the entry into and maintenance of the Servicing Arrangement shall be deemed to satisfy the obligations of the Agent with respect to any Mortgages or Flood Certificates required to be delivered pursuant to this Section 5.17. If there is any conflict or inconsistency between any terms or provisions of the Servicing Arrangement and any terms or provisions of this Section 5.17, then the applicable terms and provisions of the Servicing Arrangement shall govern and control. Notwithstanding the foregoing, the Loan Parties shall not be required to deliver or otherwise provide a Mortgage pursuant to this Section 5.17 over any property that is acquired after the Second Amendment Effective Date or any property that ceases to be Excluded Property after the Second Amendment Effective Date if, as of the date of such acquisition or the date that such property ceases to be Excluded Property, as the case may be, the After-Acquired Property Exclusionary Conditions have been satisfied.

**Section 5.18 Further Assurances.**

(a) Execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing Uniform Commercial Code and other financing statements, mortgages, deeds of trust and deeds to secure debt) that may be required under applicable law, or that the Lenders or the Agent may reasonably request, in order to effectuate the transactions contemplated by the Loan Documents and in order to grant, preserve, protect and perfect the validity and first priority of the security interests created or intended to be created by the Security Documents and the Intercreditor Agreement. Such security interests and Liens will be created under the Security Documents and other security agreements, Mortgages and other instruments and documents in form and substance reasonably satisfactory to the Agent, and the Borrower shall deliver or cause to be delivered to the Agent all such instruments and documents (including, without limitation, each instrument and document set forth in Schedule IV Mortgaged Property Conditions) as the Agent shall reasonably request to evidence compliance with this covenant. In addition, at the sole cost and expense of the Borrower (including, without limitation (and in addition to any reimbursement obligations under Section 10.04), reasonable and documented fees, disbursements and other charges of counsel to the Agent and recording, filing and title company charges, taxes and fees), promptly following the Closing Date, but in any event no later than 90 days following the Closing Date (or such later date as the Agent may agree in its discretion), the Borrower shall, or shall cause the respective Guarantor to, satisfy each of the applicable conditions set forth in Schedule IV-Mortgaged Property Conditions with respect to each of the Mortgaged Properties listed



in Exhibit II to the Perfection Certificate as of the Closing Date (together with the other documents and instruments set forth in Schedule IV-Mortgaged Property Conditions). Notwithstanding anything to the contrary set forth in this Agreement or any other Loan Document, (a) the Borrower shall not be required to provide a Mortgage or satisfy the other conditions set forth in Schedule IV-Mortgaged Property Conditions, to the extent applicable, which respect to any Real Property upon which any structure is located in a Flood Zone for so long as the Borrower maintains compliance with Section 7.01 after giving pro forma effect to the exclusion of any such Real Property from the Collateral and (b) the Borrower and the Guarantors shall not be required to provide a Mortgage on, satisfy the other conditions set forth in Schedule IV-Mortgaged Property Conditions with respect to, grant a security interest to the Agent in or satisfy the other conditions set forth in any Security Document with respect to, any property that is not wholly-owned by the Borrower and the Guarantors to the extent that the Borrower or any applicable Guarantor is prohibited from doing so by the terms of any joint venture or similar agreement applicable to such property.

(b) Promptly following the Closing Date, and in no event later than 30 days following the Closing Date, deliver a list to the Agent of all Mortgages delivered to Citibank, N.A. under the Existing Credit Agreement with respect to the Mortgaged Properties, accompanied by an officer's certificate certifying that such list is true, correct and complete. Such certification shall be deemed a representation and warranty under this Agreement for all purposes.

## ARTICLE VI NEGATIVE COVENANTS

So long as any Loan shall remain unpaid or any Facility Letter of Credit Obligations shall remain outstanding or any Lender shall have any Commitment under this Agreement, the Borrower and each Restricted Subsidiary will not (unless otherwise agreed to by the Required Lenders in writing):

**Section 6.01 Liens.** Create, incur, assume, or suffer to exist, or permit any Restricted Subsidiary to create, incur, assume, or suffer to exist, any Lien, upon or with respect to any of its properties, now owned or hereafter acquired, except the following:

(1) Liens for taxes or assessments or other government charges or levies (x) if not yet past due or which remain payable without penalty or (y) which are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(2) Liens imposed by law, such as mechanics', materialmen's, landlords', warehousemen's, customs authorities' and carriers' Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not yet delinquent or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

- (3) Liens under workers' compensation, unemployment insurance, Social Security, or similar legislation (other than Liens imposed by ERISA);
- (4) Liens, deposits, or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), public or statutory obligations, surety, stay, appeal, indemnity, performance, or other similar bonds, or other similar obligations arising in the ordinary course of business;
- (5) judgment, attachment and other similar Liens arising in connection with any court proceeding, provided (a) the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings or (b) such Liens do not otherwise secure amounts exceeding \$25,000,000 in the aggregate;
- (6) Subject to Section 5.14, easements, rights-of-way, restrictions (including zoning, building and land use restrictions), restrictive covenants, conditions and condominium regimes (including, without limitation, any Lien rights granted pursuant to any recorded declaration of covenants, conditions, restrictions or condominium regime to any property owners' association or similar Person that has authority to impose and collect dues or assessments), minor irregularities in title and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment by the Borrower or any Restricted Subsidiary of the property or assets encumbered thereby in the ordinary course of business or materially impair the value of the property subject thereto;
- (7) Liens securing payment obligations as described in Section 6.02(10), provided that such Liens extend only to the land or lots to which such payment obligations relate and the proceeds thereof;
- (8) rights of repurchase and/or rights of first refusal in favor of sellers of any Real Property;
- (9) leases or subleases granted to others not materially interfering with the ordinary course of business of the Borrower and its Restricted Subsidiaries or the use of the Real Property to which they relate;
- (10) Liens securing Debt permitted under clause (3), (4), (5) or (9) of Section 6.02;
- (11) Liens securing letter of credit obligations and loans to the extent such Liens are limited to property not constituting Collateral;

(12) Liens created pursuant to the Security Documents;

(13) Liens securing Debt (including the Second Lien Notes and any Exchange Notes in respect thereof, and any guarantees in respect thereof, and together with any Refinancing Debt in respect of the Debt described in this clause (13)) in an amount not to exceed the greater of (i) \$700,000,000 and (ii) 40% of Consolidated Tangible Assets, in each case less the amount of the Aggregate Commitments, which Liens incurred under this clause (13) shall, to the extent encumbering Collateral, be on a junior lien priority basis compared to the Liens securing the Facility on the same basis as the Liens securing Second Priority Obligations (as defined in the Intercreditor Agreement) are treated under the Intercreditor Agreement with respect to the Liens securing First Priority Obligations (as defined in the Intercreditor Agreement), pursuant to the Intercreditor Agreement or another intercreditor agreement in form and substance substantially similar to the Intercreditor Agreement or otherwise reasonably satisfactory to the Agent, provided that the Liens securing the Second Lien Notes, any Exchange Notes (as defined in the Base Indenture 2012) in respect thereof, any guarantee in respect thereof and any Refinancing Debt in respect thereof may encumber only assets that also secure the Obligations;

(14) any interest in or title of a lessor or sublessor to property subject to (i) any Capital Lease otherwise permitted by this Agreement and (ii) any other lease or sublease or any UCC financing statement filed in respect thereof;

(15) other Liens existing on the date of this Agreement and set forth on Schedule 6.01;

(16) any option, contract or other agreement to sell any property or asset, to the extent limited to such property or asset, provided such sale is not otherwise prohibited by this Agreement;

(17) Liens on property or assets of any Restricted Subsidiary securing obligations owing to the Borrower or one or more other Restricted Subsidiaries which, with respect to any such Liens on property or assets constituting Collateral, are subordinated to the Liens created pursuant to the Security Documents in a manner reasonably satisfactory to the Agent;

(18) any right of a lender or lenders to which the Borrower or a Restricted Subsidiary may be indebted to offset against, or appropriate and apply to the payment of, such Debt any and all balances, credits, deposits, accounts or monies of the Borrower or a Restricted Subsidiary with or held by such lender or lenders;

(19) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the Borrower's industry and incurred in the ordinary course of business securing any obligations or liabilities arising under interest and currency exchange rate swap agreements, forward contracts, options, futures contracts, futures options or similar hedging agreements or arrangements designed to protect the Borrower or any of its Restricted Subsidiaries from fluctuations in interest rates, currency exchange rates, or the price of commodities;

(20) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Borrower or any of its Restricted Subsidiaries in the ordinary course of business;

(21) Liens on property acquired by the Borrower or a Restricted Subsidiary and Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Borrower or any Restricted Subsidiary or becomes a Restricted Subsidiary; provided that in each case such Liens (A) were in existence prior to the contemplation of such acquisition, merger or consolidation, (B) do not extend to any asset other than those of the Person merged with or into or consolidated with the Borrower or the Restricted Subsidiary or the property acquired by the Borrower or the Restricted Subsidiary and (C) secure only those obligations which they secured on the date of such merger or consolidation or designation as a Restricted Subsidiary and any Refinancing Debt in respect of such obligations;

(22) Liens replacing any of the Liens described in clauses (10), (15) and (21) above; provided that (A) the principal amount of the Debt secured by such Liens shall not be increased (except to the extent of reasonable premiums or other payments required to be paid in connection with the repayment of the previously secured Indebtedness or Incurrence of related Refinancing Debt and expenses incurred in connection therewith) and (B) the new Liens shall be limited to the property or part thereof which secured the Lien so replaced or property substituted therefor as a result of the destruction, condemnation or damage of such property; and

(23) other Liens securing obligations or liabilities not prohibited by this Agreement in an aggregate amount not to exceed \$20,000,000.

**Section 6.02 Debt.** Create, incur, assume or suffer to exist, or permit any Restricted Subsidiary to create, incur, assume or suffer to exist, any Debt, except for:

(1) Debt created hereunder and under the other Loan Documents;

(2) the Senior Notes, together with any Exchange Notes issued with respect to any such Senior Notes, and any other outstanding Debt described on Schedule 6.02;

(3) Non-Recourse Debt;

(4) Debt of the Borrower or any Restricted Subsidiary in respect of Capital Leases or otherwise incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals and replacements of any such Debt that do not increase the outstanding principal amount thereof; provided that (i) such Debt is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (ii) the aggregate principal amount of Debt permitted by this clause (4) shall not exceed \$50,000,000 at any time outstanding and (iii) any Liens securing such Debt extend only to the assets financed by such Debt and the proceeds thereof;

(5) Debt secured by cash or Cash Equivalents (a) in respect of letters of credit in an aggregate face amount not to exceed \$100,000,000 and (b) in respect of loans incurred as a means of preserving refinancing capacity under the Senior Notes and this Agreement, the proceeds of which are used to repay, repurchase or redeem, or to replenish cash previously used to repay, purchase or redeem, any of the Senior Notes or any Refinancing Debt in respect thereof;

(6) Debt under any deposits made in the ordinary course of business to secure performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, progress payments, government contracts and other obligations of like nature (exclusive of the obligation for the payment of borrowed money);

(7) Debt of the Borrower or any Guarantor arising from its guarantee of Debt of the Borrower or any Restricted Subsidiary, in each case to the extent such guaranteed Debt is otherwise permitted under this Agreement (other than Non-Recourse Debt);

(8) (a) Debt of a Restricted Subsidiary owing to the Borrower or any Guarantor that is both a Wholly-Owned Subsidiary and a Restricted Subsidiary; provided that (I) such Debt is subordinated to any guarantee of such Restricted Subsidiary under the Loan Documents in a manner reasonably satisfactory to the Agent, and (II) such Debt shall only be permitted pursuant to this clause (8) for so long as the Person to whom such Debt is owing is the Borrower or a Guarantor that is both a Wholly-Owned Subsidiary and a Restricted Subsidiary; and (b) Debt of the Borrower owing to any Guarantor that is both a Wholly-Owned Subsidiary and a Restricted Subsidiary; provided that (I) such Debt is subordinated to the Borrower's

obligations under this Agreement in a manner reasonably satisfactory to the Agent, and (II) such Debt shall only be permitted pursuant to this clause (8) for so long as the Person to whom such Debt is owing is a Guarantor that is both a Wholly-Owned Subsidiary and a Restricted Subsidiary;

(9) obligations for bond financings of political subdivisions or enterprises thereof in the ordinary course of business;

(10) Debt owed to a seller of entitled land, lots under development or finished lots under the terms of which the Borrower or such Restricted Subsidiary, as obligor, is required to make a payment upon the future sale of such land or lots; and

(11) additional Debt in an aggregate principal amount at any time outstanding not to exceed \$100,000,000;

(12) Refinancing Debt;

(13) other unsecured Debt or Secured Debt (if otherwise permitted by Section 6.01) if, after giving pro forma effect thereto and the application of the proceeds therefrom, the ratio of Borrower's Adjusted Indebtedness to its Adjusted Consolidated Tangible Net Worth is not greater than 7.5 to 1.0; and

(14) other unsecured Debt of the Borrower or any Restricted Subsidiary incurred on or prior to June 30, 2015 to finance one or more Permitted Acquisitions; provided that the aggregate principal amount of Debt permitted by this clause (14) shall not exceed \$150,000,000.

**Section 6.03 Mergers, Etc.** Wind up, liquidate or dissolve itself, reorganize, merge or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or acquire all or substantially all the assets or the business of any Person, or permit any Restricted Subsidiary to do so, except (1) for any Permitted Acquisition, (2) that any Restricted Subsidiary may merge into or transfer assets (including by way of dissolution or liquidation) to the Borrower or any Guarantor as a result of an Internal Reorganization or otherwise, and (3) that any Restricted Subsidiary that is not a Guarantor may merge into or consolidate with or transfer assets (including by way of dissolution or liquidation) to any other Restricted Subsidiary that is not a Guarantor as a result of an Internal Reorganization or otherwise.

**Section 6.04 Leases.** Create, incur, assume, or suffer to exist, or permit any Restricted Subsidiary to create, incur, assume, or suffer to exist, any obligation as lessee or sublessee for the rental or hire of any real or personal property, except (1) Capital Leases not otherwise prohibited by the terms of this Agreement; (2) leases or subleases existing on the date of this Agreement and any extension or renewals thereof; (3) leases or subleases between the Borrower

and any Restricted Subsidiary or between any Restricted Subsidiaries; (4) operating leases entered into in the ordinary course of business; and (5) any lease of property having annual lease payments not to exceed \$2,500,000, provided that all such leases permitted under this clause (5) shall not, in the aggregate, have annual lease payments greater than \$10,000,000.

**Section 6.05 Sale and Leaseback.** Sell, transfer or otherwise dispose of, or permit any Restricted Subsidiary to sell, transfer, or otherwise dispose of, any real or personal property to any Person and thereafter directly or indirectly lease back the same or similar property, except for the sale and leaseback of model homes.

**Section 6.06 Sale of Assets.** Sell, lease, sublease, assign, transfer, or otherwise dispose of, or permit any Restricted Subsidiary to sell, lease, sublease, assign, transfer, or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and Debt of Subsidiaries, receivables, and leasehold interests), except, provided that no Event of Default has occurred or is continuing, and the Agent has not provided written notice to the Borrower that it is prohibiting the transactions otherwise permitted under this Section 6.06, (a) for (1) sales of homes or land (and, including sales of real estate assets in bulk, regardless of value, in the ordinary course of business (as reasonably determined by the Borrower)); (2) sales, leases, conveyances or other dispositions, including, without limitation, exchanges or swaps, of real estate or other assets, in each case in the ordinary course of business (as reasonably determined by the Borrower), for development or disposition of the Borrower's or any of its Restricted Subsidiaries' projects; (3) sales, leases, sale-leasebacks or other dispositions of amenities, model homes and other improvements at the Borrower's or its Restricted Subsidiaries' projects in the ordinary course of business (as reasonably determined by the Borrower); (4) any sale or other disposition of Cash Equivalents or obsolete or worn out equipment, in each case, in the ordinary course of business (as reasonably determined by the Borrower); (5) the sale or other disposition of assets, including Real Property, no longer used or useful in the conduct of business of the Borrower or any of its Restricted Subsidiaries; (6) the making of any Investment or Restricted Payment that is permitted to be made, and is made, in accordance with Section 6.07 or 6.13, as applicable; (7) a transaction involving the sale of Capital Stock of, or the disposition of assets in, an Unrestricted Subsidiary; and (8) any other sales or other dispositions that, in the aggregate, do not exceed \$20,000,000 in any fiscal year of the Borrower; (b) that any Restricted Subsidiary may sell, lease, assign, or otherwise transfer its assets to the Borrower or any Guarantor, or if such Restricted Subsidiary is not a Guarantor, then to any other Restricted Subsidiary in connection with an Internal Reorganization or otherwise; and (c) that the provisions of this Section 6.06 shall not affect or limit the Borrower's obligations under Section 6.03.

**Section 6.07 Investments.** Make, or permit any Restricted Subsidiary to make, any loan or advance to any Person, or purchase or otherwise acquire, or permit any Restricted Subsidiary to purchase or otherwise acquire, any Capital Stock, assets (other than assets acquired in the ordinary course of business), obligations, or other securities of, make any capital contribution to, or otherwise invest in or acquire any interest in any Person including, without limitation, any hostile takeover, hostile tender offer or similar hostile transaction (collectively, "Investments"), except:

- (1) Cash Equivalents;
- (2) [intentionally omitted];
- (3) stock, obligation, or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any Subsidiary provided such issuance is approved by the board of directors of the issuer thereof;
- (4) a loan or advance from the Borrower to a Subsidiary, or from a Subsidiary to a Subsidiary, or from a Subsidiary to the Borrower (subject, however, to the limitations set forth below in the case of Investments in Subsidiaries that are not Guarantors);
- (5) any Permitted Acquisition;
- (6) an Investment in a Wholly-Owned Subsidiary, which Investment is, or constitutes a part of, an Internal Reorganization (subject, however, to the limitations set forth below in the case of Investments in Subsidiaries that are not Guarantors);
- (7) any purchase, redemption, repurchase, exchange or refinancing of the Debt of the Borrower or any Restricted Subsidiary (A) in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, equity interests (other than Disqualified Stock), or (B) in exchange for, or in connection with, the substantially concurrent incurrence of, Refinancing Debt;
- (8) any purchase, redemption, exchange or other acquisition or retirement of shares of the Borrower's Capital Stock in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, equity interests (other than Disqualified Stock);
- (9) Investments in Subsidiaries that are not Guarantors or in Joint Ventures (including guarantees of Debt and other obligations of Joint Ventures or Subsidiaries that are not Guarantors) in an aggregate amount at any time outstanding not to exceed 5% of Consolidated Tangible Assets;
- (10) any purchase or other acquisition of Debt secured by Real Property and related personal property that is of a type that is developed and sold by the Loan Parties in the ordinary course of business; and
- (11) any other Investments not described in clauses (1) through (10) above from time to time outstanding in an aggregate amount not to exceed \$100,000,000;



provided, the Borrower is in compliance with the covenants in Sections 7.01 and 7.02 after giving pro forma effect to any Investment permitted under clauses (9), (10) and (11).

**Section 6.08 Guaranties, Etc.** Assume, guarantee, endorse, or otherwise be or become directly or contingently responsible or liable, or permit any Restricted Subsidiary to assume, guarantee, endorse, or otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth or otherwise to assure the creditors of any Person against loss), for obligations of any Person, except: (1) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (2) guaranties of performance obligations in the ordinary course of business; (3) guaranties of the Debt or other obligations of any Joint Venture or any Subsidiary that is not a Guarantor (subject to the limitation in the proviso to Section 6.07), (4) guaranties by guarantors of the Senior Notes and other Debt permitted pursuant to Section 6.02 (other than Non-Recourse Debt), and all Refinancing Debt in respect thereof and (5) that the Borrower or any Restricted Subsidiary or any Guarantor may, whether as a result of an Internal Reorganization or otherwise, guarantee the Debt of any other Loan Party or Restricted Subsidiary permitted under this Agreement.

**Section 6.09 Transactions with Affiliates.** Enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, or permit any Restricted Subsidiary to enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Borrower's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Restricted Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate (which exception shall include the payment of insurance premiums to UHIC for the purchase of construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Restricted Subsidiaries and to the Title Companies for title insurance and other title services); provided, however, that, the following transactions shall not be prohibited by this Section 6.09: (i) transactions involving the purchase, sale or exchange of property having an aggregate value of \$10,000,000 or less in any fiscal year; (ii) transactions otherwise permitted by this Agreement; (iii) the issuance of any equity interests (whether common or preferred), other than Disqualified Stock, to Affiliates that are not officers or directors of Borrower or Restricted Subsidiary; and (iv) the execution of customary agreements entered into with shareholders relating to (x) registration rights and, related to such registration rights, reasonable indemnification rights and reasonable cost reimbursements, (y) board observation rights and (z) other provisions reasonably acceptable to the Agent.

**Section 6.10 Other Indebtedness and Agreements.** (a) Permit (i) any waiver, supplement, modification or amendment of any indenture, instrument or agreement pursuant to which any Material Debt of the Borrower or any of its Subsidiaries is outstanding if the effect of such waiver, supplement, modification or amendment would be materially adverse to the Lenders or (ii) any waiver, supplement, modification or amendment of its certificate of incorporation, by-

laws, operating, management or partnership agreement or other organizational documents to the extent any such waiver, supplement, modification or amendment would be materially adverse to the Lenders.

(b) (i) Make any distribution, whether in cash, property, securities or a combination thereof, other than regular scheduled payments or other mandatory payments of principal and interest as and when due (to the extent not prohibited by applicable subordination provisions), in respect of, or pay, or commit to pay, or directly or indirectly (including pursuant to any Synthetic Purchase Agreement) redeem, repurchase, retire or otherwise acquire for consideration, or set apart any sum for the aforesaid purposes, any Debt of the Borrower or its Restricted Subsidiaries, other than any such action taken by the Borrower or any Restricted Subsidiary in respect of (A) the Debt created hereunder, (B) Refinancing Debt issued with respect to such Debt and/or proceeds of the issuance of Capital Stock (other than Disqualified Stock) or (C) secured Debt that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Debt or (ii) pay in cash any amount in respect of any Debt of the Borrower or its Restricted Subsidiaries that may be at the obligor's option be paid in kind or in other securities (any such distribution, payment, redemption, repurchase, retirement or other acquisition of Debt limited by the preceding clauses (i) and (ii) referred to herein as a "Debt Repurchase"), unless, in each instance: (x) no Default or Event of Default exists or shall exist immediately after giving effect to such Debt Repurchase, (y) the Borrower shall continue to be in compliance with the covenants in Sections 7.01 and 7.02 immediately after giving effect to such Debt Repurchase and (z) either (1) any Borrowings under the Facility required to effectuate such Debt Repurchase shall be made and repaid substantially contemporaneously with such Debt Repurchase (and, in any event, repaid within one Business Day after the effectuation of such Debt Repurchase) or (2) for Debt Repurchases other than mandatory payments of principal and interest that are not regular scheduled payments, before and immediately after giving effect to such Debt Repurchase, no greater than \$50,000,000 in aggregate principal amount of Loans under the Facility are outstanding.

**Section 6.11 Non-Guarantors.** Permit UHIC to engage in any business other than the issuance of construction warranties and builder default protection for buyers of Housing Units from the Borrower or any of its Subsidiaries, or permit any of the Title Companies to engage in any businesses other than title insurance and other title services, in each case together with such businesses as may be reasonably related or otherwise incidental thereto.

**Section 6.12 Negative Pledge.** Directly or indirectly enter into any agreement with any Person that (a) prohibits or restricts or limits the ability of the Borrower or any Guarantor to create, incur, pledge or suffer to exist any Lien upon any assets of the Borrower or any Guarantor in favor of or for the benefit of the Agent for the benefit of the Secured Parties, as contemplated by clause (1) of Section 6.02 or with respect to any Facility Letter of Credit or (b) prohibits, restricts or imposes any condition upon the ability of any Restricted Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any other Restricted Subsidiary or to guarantee Debt of the Borrower or any other Restricted Subsidiary; *provided* that (A) the foregoing shall not apply to restrictions and conditions imposed by law or by any Loan Document, (B) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary

or any assets pending such sale, *provided* such restrictions and conditions apply only to the Subsidiary or the assets that are to be sold and the proceeds thereof, and such sale is permitted hereunder, (C) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to Secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt and the proceeds thereof, (D) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof and (E) clause (b) of the foregoing shall not apply to provisions in the Senior Notes or any Material Debt, in each case outstanding on the Closing Date, and any subsequent Material Debt permitted to be Incurred by this Agreement and any Refinancing Debt with respect to the foregoing, to the extent such provisions in such Material Debt or such Refinancing Debt, taken as a whole, are not materially more restrictive than such provisions, taken as a whole, in (i) with respect to such Material Debt, the Senior Notes, and (ii) with respect to such Refinancing Debt, the Refinanced Debt relating thereto.

**Section 6.13 Restricted Payments.** Declare or make, or agree to declare or make, directly or indirectly, any Restricted Payment (including pursuant to any Synthetic Purchase Agreement), or incur any obligation (contingent or otherwise) to do so; *provided, however*, that:

(i) the Borrower and its Restricted Subsidiaries may purchase, redeem, retire or otherwise acquire for value the Capital Stock of the Borrower or any Subsidiary held by officers or employees or former officers or employees of the Borrower or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$500,000 in any calendar year;

(ii) the Borrower may repurchase Capital Stock to the extent deemed to occur upon the exercise of stock options, warrants or similar instruments if such Capital Stock represents a portion of the exercise price of such options, warrants or similar instruments;

(iii) the Borrower may pay cash in lieu of the issuance of fractional shares upon the exercise of options, warrants or similar instruments or upon the conversion or exchange of Capital Stock of the Borrower;

(iv) the Borrower may make payment of dividends on Preferred Stock and Disqualified Stock up to an aggregate amount of \$10,000,000 in any fiscal year; provided that immediately after giving effect to any declaration of such dividend, the Consolidated Fixed Charge Coverage Ratio of the Borrower would be at least 2.0 to 1.0; and

(v) the Borrower and its Restricted Subsidiaries may make other Restricted Payments after the date of this Agreement in an amount not to exceed \$50,000,000 in the aggregate during the term of this Agreement; provided that immediately after giving effect to any such Restricted Payment, the Consolidated Fixed Charge Coverage Ratio of the Borrower would be at least 2.0 to 1.0.

**Section 6.14 Business of the Borrower and Subsidiaries.** Engage at any time in any material businesses or business activities other than the businesses and business activities conducted by the Borrower and its Restricted Subsidiaries on the Closing Date and any other businesses and business activities reasonably related or otherwise incidental thereto.

**ARTICLE VII**  
**FINANCIAL COVENANTS**

So long as any Loan shall remain unpaid or any Facility Letter of Credit shall remain outstanding or any Lender shall have any Commitment under this Agreement (unless otherwise agreed to by the Required Lenders in writing):

**Section 7.01 Minimum Collateral Coverage.** Beginning on the earlier of (i) the date on which the Specified Drawing Condition is satisfied and (ii) 120 days after the Closing Date (which 120-day period may be extended up to an additional 120 days by the Agent in its sole discretion), the Borrower shall maintain (a) a ratio of the aggregate book value of Housing Collateral to the Aggregate Commitments (such ratio, the "Housing Collateral Ratio") of at least 1.50 to 1.00 and (b) a ratio of the aggregate book value of all Collateral to the Aggregate Commitments (such ratio, the "Aggregate Collateral Ratio") of 5.00 to 1.00. The ratios set forth in this Section 7.01 shall be calculated as of the last Business Day of each calendar month, and such calculations shall be set forth in the Financial Covenant Certificate to be delivered to the Agent as described in Section 5.08(4); provided, however, that if the Borrower shall fail to maintain either ratio set forth in this Section 7.01, then notwithstanding anything to the contrary set forth herein, no Default or Event of Default shall be deemed to exist or have occurred under this Agreement due to the failure of such ratio to be maintained so long as the Borrower shall, not later than ten (10) days after delivery of such Financial Covenant Certificate reflecting such failure, (i) pledge additional assets (including, if needed, assets qualifying as Housing Collateral) as Collateral (on terms to be agreed with the Agent), including by providing cash collateral, and/or (ii) permanently reduce the Commitments, such that, after giving effect to such pledge and/or reduction, Borrower would be in compliance with this covenant. At any time after the Borrower has pledged any such additional assets as additional Collateral (whether pursuant to this Section 7.01 or otherwise), the Borrower may request in writing that the Agent release its Lien on such additional assets or a portion thereof, and the Agent shall release such Lien as so requested within five (5) Business Days of its receipt of such request, so long as at the time of such release and after giving pro forma effect thereto, (i) the Borrower shall be in compliance with Section 7.01 and the Borrower shall have delivered to the Agent a duly completed Financial Covenant Certificate demonstrating such compliance, and (ii) no Event of Default shall then have occurred and be continuing or would result therefrom.

**Section 7.02 Minimum Liquidity.** The Borrower shall maintain at all times Minimum Liquidity as follows, in the case of clause (a) and clause (b) with reference to the Interest Coverage Ratio for the most recently reported quarterly period and the Housing Collateral Ratio for the most recently reported monthly period:

(a) If the Interest Coverage Ratio is greater than or equal to 1.50 to 1.00 and the Housing Collateral Ratio is greater than or equal to 1.75 to 1.00, the Borrower shall maintain Minimum Liquidity in an amount of not less than \$25,000,000;

(b) If the Interest Coverage Ratio is greater than or equal to 1.00 to 1.00, but less than 1.50 to 1.00, and the Housing Collateral Ratio is greater than or equal to 1.75 to 1.00, the Borrower shall maintain Minimum Liquidity in an amount of not less than \$50,000,000; and

(c) In all other cases not covered by clause (a) or clause (b) above, the Borrower shall maintain Minimum Liquidity in an amount of not less than \$100,000,000.

## **ARTICLE VIII EVENTS OF DEFAULT**

**Section 8.01 Events of Default.** If any of the following events shall occur:

(1) The Borrower shall fail to pay (a) the principal of any Loan, or any amount of a commitment or other fee, as and when due and payable or (b) interest on any Loan within five (5) Business Days after the same is due and payable;

(2) Any representation or warranty made or deemed made by the Borrower or by any Guarantor in any Loan Document or which is contained in any certificate, document, opinion, or financial or other statement furnished at any time under or in connection with this Agreement shall prove to have been incorrect, incomplete, or misleading (i) in any material respect or (ii) in any respect to the extent such representation or warranty is qualified as to “materiality” or “material adverse effect”, in each case, on or as of the date made or deemed made;

(3) The Borrower or any Guarantor shall fail to perform or observe any term, covenant, or agreement contained in Articles V, VI or VII hereof, and, in the case of Article V only, such failure shall continue for a period of thirty (30) consecutive days after delivery of written notice thereof from the Agent to the Borrower or such Guarantor;

(4) The Borrower or any Restricted Subsidiary shall (a) fail to pay (within the applicable cure period, if any) any amount in respect of indebtedness for borrowed money equal to or in excess of \$25,000,000 in the aggregate (excluding the Obligations and any Non-Recourse Debt, but including any recourse obligations of the Borrower or such Restricted Subsidiary arising under Non-Recourse Debt of any Loan Party pursuant to any of the characteristics listed in clauses (a) and (b) of the definition thereof) of the Borrower or such Restricted Subsidiary, as the case may be, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise); or (b) fail to perform or observe any term, covenant, or condition on its part to be performed or observed (within the applicable cure period, if any) under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate the maturity of such indebtedness, or to permit the acceleration of the maturity of such indebtedness after the giving of notice or passage of time, or both, and after giving effect to any amendment or waiver; or (c) any such indebtedness shall be declared to be due and payable, or required to be

prepaid (other than by a regularly scheduled required prepayment), repurchased (or an offer to repurchase to be made) or redeemed prior to the stated maturity thereof (other than as otherwise permitted under the terms of this Agreement);

(5) The Borrower or any Significant Subsidiary or any Significant Guarantor (a) shall generally not pay, or shall be unable to pay, or shall admit in writing its inability to pay its debts as such debts become due; or (b) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for it or a substantial part of its assets; or (c) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) shall have had any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made and which remains undismissed for a period of sixty (60) days or more; or (e) shall take any corporate partnership, limited liability company or similar organizational action indicating its consent to, approval of, or acquiescence in any such petition, application, proceeding, or order for relief or the appointment of a custodian, receiver, or trustee for all or any substantial part of its properties; or (f) shall suffer any such custodianship, receivership, or trusteeship to continue undischarged for a period of sixty (60) days or more. If the Borrower is required to provide an amount of cash collateral pursuant to Section 2.19.12, such amount shall be returned to the Borrower from the Facility Letter of Credit Collateral Account from time to time to the extent that no Event of Default is continuing and either the amount deposited shall exceed the Defaulting Lender's Facility Letter of Credit Obligations or if such Lender ceases to be a Defaulting Lender;

(6) One or more judgments, decrees, or orders for the payment of money in excess of \$25,000,000 in the aggregate shall be rendered against the Borrower and/or any Subsidiary and/or any Guarantor, and such judgments, decrees, or orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal;

(7) Any Guaranty hereunder shall at any time after its execution and delivery and for any reason cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Guarantor or the Guarantor shall deny it has any further liability or obligation under, or shall fail to perform its obligations under, the Guaranty (except to the extent that the foregoing occurs solely by reason of the liquidation or dissolution of a Guarantor as a result of an Internal Reorganization);

(8) Any Change of Control shall occur;

(9) Any of the following events shall occur or exist with respect to the Borrower, any Subsidiary or any Commonly Controlled Entity under ERISA: any Reportable Event shall occur; complete or partial withdrawal from any Multiemployer Plan shall take place; any Prohibited Transaction shall occur; a notice of intent to terminate a Plan shall be filed, or a Plan shall be terminated; or circumstances shall exist which constitute grounds entitling the PBGC to institute proceedings to terminate a Plan, or the PBGC shall institute such proceedings; and in each case above, such event or condition, together with all other events or conditions described in this Section 8.01(9), if any, could subject the Borrower or any Significant Guarantor or Significant Subsidiary to any tax, penalty, or other liability which in the aggregate may exceed \$5,000,000;

(10) Except with respect to releases of Liens permitted under this Agreement, any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents on any material portion of the Collateral shall cease to be enforceable and of the same effect and priority purported to be created thereby;

(11) The Intercreditor Agreement shall cease, for any reason, to be in full force and effect (other than in accordance with its terms) or the security interest of the Agent in any portion of the Collateral shall for any reason cease to be senior to the security interest of any Second Priority Agent (as defined in the Intercreditor Agreement) in the Collateral, or, in either case, any Loan Party shall so assert; or

(12) Any Loan Party shall default in the observance or performance of any term, covenant or agreement contained in the Collateral Agreement or any Mortgage, and such default shall continue unremedied for 30 consecutive days after the delivery of notice thereof from the Agent to such Loan Party;

then the following provisions shall apply:

(i) if any Event of Default described in Section 8.01(5) occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder and the obligation and power of the Issuers to issue Facility Letters of Credit shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent, any Issuer or any Lender, and the Borrower will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Agent an amount in immediately available funds, which funds shall be held in the Facility Letter of Credit Collateral Account, equal to the difference of (x) 105% of the amount of Facility

Letter of Credit Obligations at such time, less (y) the amount on deposit in the Facility Letter of Credit Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the “Collateral Shortfall Amount”). If any other Event of Default occurs, the Required Lenders (or the Agent with the consent of the Required Lenders) may (a) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the Issuers to issue Facility Letters of Credit, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives, and (b) upon notice to the Borrower and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Agent the Collateral Shortfall Amount, which funds shall be deposited and maintained in the Facility Letter of Credit Collateral Account in accordance with Section 2.19.12 and this Section 8.01.

(ii) If at any time while any Event of Default is continuing, the Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Agent may make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Agent the Collateral Shortfall Amount, which funds shall be deposited and maintained in the Facility Letter of Credit Collateral Account in accordance with Section 2.19.12 and this Section 8.01.

(iii) The Agent may, at any time or from time to time after funds are deposited in the Facility Letter of Credit Collateral Account, apply such funds to the payment of the Obligations and any other amounts as shall from time to time have become due and payable by the Borrower to the Lenders or the Issuer under the Loan Documents.

(iv) At any time while any Event of Default is continuing, neither the Borrower nor any Person claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Facility Letter of Credit Collateral Account. After all of the Obligations have been indefeasibly paid in full and the Aggregate Commitment has been terminated, any funds remaining in Facility Letter of Credit Collateral Account shall be returned by the Agent to the Borrower or paid to whomever may be legally entitled thereto at such time.

(v) If within 30 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the Issuer to issue Facility Letters of Credit hereunder as a result of any Event of Default (other than any Event of Default as described in Section 8.01(5) with respect to the Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders



(in their sole discretion) shall so direct, the Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

(vi) Upon the occurrence and during the continuance of any Event of Default, the Agent may exercise any and all remedies provided under any of the Security Documents or otherwise provided by law.

**Section 8.02 Set Off.** Upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, subject to the prior written consent of the Agent, without notice to the Borrower (any such notice being expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any Note or Notes held by such Lender or any other Loan Document, irrespective of whether or not the Agent or such Lender shall have made any demand under this Agreement or any Note or Notes held by such Lender or such other Loan Document and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower (with a copy to the Agent) after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 8.02 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which each Lender may have.

**ARTICLE IX**  
**AGENCY PROVISIONS**

**Section 9.01 Authorization and Action.** Each Lender hereby irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The duties of the Agent shall be mechanical and administrative in nature and the Agent shall not by reason of this Agreement or any other Loan Document be a trustee or fiduciary for any Lender or Issuer. The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents. As to any matters not expressly provided for by this Agreement or any other Loan Document (including, without limitation, enforcement or collection of the Loans and the Notes), the Agent shall not be required to act or to refrain from acting except upon the instructions of the Required Lenders or, to the extent required under Section 10.01, all Lenders (and shall be fully protected in so acting or so refraining from acting), and such instructions shall be binding upon all Lenders, all Issuers and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or applicable law. The Agent shall administer the Loan in the same manner that it would administer a comparable loan held 100% for its own account. The Agent may perform any of its duties under this Agreement and any other Loan Document by and through its agents (which shall include any third party sub-agent or mortgage servicer).

**Section 9.02 Liability of Agent.** Neither the Agent nor any of its Affiliates or any of their respective directors, officers, agents, employees or advisors shall be liable for any action taken or omitted to be taken by it or them in good faith under or in connection with this Agreement or any other Loan Document in the absence of its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Agent (1) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (2) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (3) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties, or representations made in or in connection with this Agreement; (4) shall not have any duty to ascertain or to inquire as to the performance or observance of any terms, covenants, or conditions of this Agreement on the part of the Borrower (other than the payment of principal, interest and fees due hereunder), or to inspect the property (including the books and records) of the Borrower; (5) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, perfection, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto or the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; (6) shall be deemed to have no knowledge of any Default unless and until written notice thereof is given to the Agent by the Borrower or a Lender; and (7) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be sent by any telecommunication

device capable of creating a written record (including electronic mail)) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

**Section 9.03 Rights of Agent Individually.** (a) The Person serving as the Agent shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Agent in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any of its Subsidiaries or other Affiliate thereof as if such Person were not the Agent and without any duty to account therefor to the Lenders.

(b) Each Lender and each Issuer understands that the Person serving as Agent, acting in its individual capacity, and its Affiliates (collectively, the “Agent’s Group”) are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research) (such services and businesses are collectively referred to in this Section 9.03 as “Activities”) and may engage in the Activities with or on behalf of one or more of the Loan Parties or their respective Affiliates. Furthermore, the Agent’s Group may, in undertaking the Activities, engage in trading in financial products or undertake other investment businesses for its own account or on behalf of others (including the Loan Parties and their Affiliates and including holding, for its own account or on behalf of others, equity, debt and similar positions in any of the Borrower, another Loan Party or their respective Affiliates), including trading in or holding long, short or derivative positions in securities, loans or other financial products of one or more of the Loan Parties or their Affiliates. Each Lender and each Issuer understands and agrees that in engaging in the Activities, the Agent’s Group may receive or otherwise obtain information concerning the Loan Parties or their Affiliates (including information concerning the ability of the Loan Parties to perform their respective Obligations hereunder and under the other Loan Documents) which information may not be available to any of the Lenders that are not members of the Agent’s Group. None of the Agent nor any member of the Agent’s Group shall have any duty to disclose to any Lender or use on behalf of the Lenders, and shall not be liable for the failure to so disclose or use, any information whatsoever about or derived from the Activities or otherwise (including any information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Loan Party or any Affiliate of any Loan Party) or to account for any revenue or profits obtained in connection with the Activities, except that the Agent shall deliver or otherwise make available to each Lender such documents as are expressly required by any Loan Document to be transmitted by the Agent to the Lenders.

(c) Each Lender and each Issuer further understands that there may be situations where members of the Agent’s Group or their respective customers (including the Loan Parties and their Affiliates) either now have or may in the future have interests or take actions that may conflict with the interests of any one or more of the Lenders (including the interests of the Lenders hereunder and under the other Loan Documents). Each Lender and each Issuer agrees that no member of the Agent’s Group is or shall be required to restrict its activities as a result of the Person serving as Agent being a member of the Agent’s Group, and that each member of the Agent’s Group may

undertake any Activities without further consultation with or notification to any Lender or any Issuer. None of (i) this Agreement or any other Loan Document, (ii) the receipt by the Agent's Group of information concerning the Loan Parties or their Affiliates (including information concerning the ability of the Loan Parties to perform their respective Obligations hereunder and under the other Loan Documents) or (iii) any other matter shall give rise to any fiduciary, equitable or contractual duties (including without limitation any duty of trust or confidence) owing by the Agent or any member of the Agent's Group to any Lender including any such duty that would prevent or restrict the Agent's Group from acting on behalf of customers (including the Loan Parties or their Affiliates) or for its own account.

**Section 9.04 Independent Credit Decisions.** Each Lender and each Issuer acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and each Issuer also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. The Agent shall promptly provide the Lenders and Issuers with copies of all notices of default and other formal notices sent or received by the Agent in accordance with Section 10.02, any written notice relating to changes in the Borrower's debt ratings received by the Agent from the Borrower or a ratings agency, any documents received by the Agent pursuant to Section 5.08 (except to the extent that the Borrower has furnished the same directly to the Lenders) and any other documents or notices received by the Agent with respect to this Agreement and requested in writing by any Lender.

**Section 9.05 Indemnification.** The Lenders severally agree to indemnify the Agent and each of its Affiliates, and each of their respective successors, assigns, directors, officers, employees, agents, controlling persons, members and advisors (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), in the proportion of their Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent or any of its Affiliates, or any of their respective directors, officers, employees, agents and advisors, in any way relating to or arising out of this Agreement, the other Loan Documents or the Second Successor Agency and Amendment Agreement or any action taken or omitted by the Agent under this Agreement, the other Loan Documents or the Second Successor Agency and Amendment Agreement, provided that no Lender shall be liable for any portion of any of the foregoing if determined by a court of competent jurisdiction in a final, non-appealable judgment to (i) have resulted from the gross negligence or willful misconduct of the Agent or such Affiliate, successor, assign, director, officer, employee, agent, controlling person, member or advisor, (ii) have been on account of a strictly internal or regulatory matter relating to the Agent (such as relating to legal lending limit violation by the Agent), or (iii) have been in connection with a breach of an agreement made by the Agent to a Lender under this Agreement. Without limitation of the foregoing, each Lender severally agrees to reimburse the Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) promptly upon demand for such Lender's Pro Rata Share of any reasonable and documented out-of-pocket expenses (including fees and reasonable fees disbursements and other

charges of counsel) incurred by the Agent in connection with the preparation, administration, or enforcement of, or legal advice in respect of rights or responsibilities under, this Agreement, the other Loan Documents or the Second Successor Agency and Amendment Agreement; provided, however, that no Lender shall be required to reimburse the Agent for any such expenses determined by a court of competent jurisdiction in a final, non-appealable judgment to have resulted primarily (i) from the Agent's gross negligence or willful misconduct, or (ii) in connection with a breach of an agreement made by the Agent to a Lender under this Agreement. Each Lender shall severally indemnify the Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Agent for such Taxes and without limiting the obligation of the Borrower to do so), (ii) any taxes, deductions or withholdings attributable to such Lender's failure to comply with the provisions of Section 11.03 relating to the maintenance of a Participant Register and (iii) any taxes, deductions or withholdings excluded from the definition of "Taxes" attributable to such Lender, in each case, that are payable or paid by the Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such amounts were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Agent to the Lender from any other source against any amount due to the Agent under this paragraph.

**Section 9.06 Successor Agent.** (a) The Agent may resign at any time by giving prior written notice thereof to the Lenders and the Borrower. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent, subject to Section 9.06(b). If no successor Agent has been appointed pursuant to the immediately preceding sentence by the thirtieth (30<sup>th</sup>) day after the date such notice of resignation was given by the retiring Agent, such Agent's resignation shall nonetheless become effective and the Required Lenders shall thereafter perform all the duties of such Agent hereunder and/or under any other Loan Document until such time, if any, as the Required Lenders appoint a successor Agent. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

(b) The appointment of any successor Agent that is not a Lender shall, as long as no Event of Default shall have occurred and be continuing, be subject to the prior written approval of the Borrower, which approval shall not be unreasonably withheld or delayed.

**Section 9.07 Sharing of Payments, Etc.** If any Lender shall obtain any payments (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in respect of any principal or interest on any of its Loans in excess of its Pro Rata Share of payments on account of the Loans of all Lenders, such Lender shall purchase from the other Lenders such participations in the Loans held by them as shall be necessary to cause such purchasing Lender to

share the excess payment ratably with each of the other Lenders, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and each applicable Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (1) the amount of such Lender's required repayment to (2) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 9.07 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

**Section 9.08 Withholding Tax Matters.** (a) For purposes of this Section 9.08, the term "Lender" shall be deemed to include any Issuer. For purposes of this Section 9.08 and Section 10.04, the term "applicable law" shall be deemed to include FATCA.

(b) Each Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Agent, at the time or times reasonably requested by the Borrower or the Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, each Lender, if reasonably requested by the Borrower or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in subsections (c), (d) and (f) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(c) Without limiting the generality of subsection (b) above, each Lender that is a U.S. Person shall deliver to the Borrower and the Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax.

(d) Without limiting the generality of subsection (b) above, each Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing

an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit G-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed originals of IRS Form W-8BEN; or

(iv) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit G-2 or Exhibit G-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit G-4 on behalf of each such direct and indirect partner.

(e) Without limiting the generality of subsection (b) above, any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Agent to determine the withholding or deduction required to be made.

(f) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Agent at the time or times prescribed by law, and at such time or times reasonably requested by the Borrower or the Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under

FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this subsection (f), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Agent in writing of its legal inability to do so.

**Section 9.09 No Other Duties, Etc.** Anything herein to the contrary notwithstanding, none of the Joint Bookrunners or the Arranger listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Agent, a Lender or an Issuer hereunder.

**Section 9.10 Releases of Guarantees and Liens.** (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Agent is hereby irrevocably authorized by each Secured Party, for itself and behalf of each of its Affiliates that may hereafter become a Secured Party (without requirement of notice to or consent of any Secured Party) to take any action reasonably requested by the Borrower (including, without limitation, authorizing and instructing any sub-agent or collateral service provider to take such action) having the effect of releasing any Collateral or guarantee obligations of the Guarantors (i) to the extent necessary to permit consummation of any transaction permitted by this Agreement or that has been consented to in accordance with Section 10.01 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Loans, the Facility Letter of Credit Obligations and the other Obligations under the Loan Documents shall have been paid in full, the Commitments have been terminated, and no Facility Letters of Credit shall be outstanding or any outstanding Facility Letters of Credit shall have been cash collateralized or otherwise secured by a collateral arrangement satisfactory to the respective Issuers, the Agent is hereby authorized to release its security interest in all of the Collateral and terminate the Security Documents and all Obligations (other than those expressly stated to survive such termination) owing to the Agent and each Loan Party under the Security Documents; provided that, upon written request, and at the expense of, the Borrower, the Agent shall take any action reasonably requested by the Borrower (including, without limitation, authorizing and instructing any sub-agent or collateral service provider to take such action) having the effect of releasing the Collateral and the guarantee obligations of the Guarantors. Any release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.



**ARTICLE X**  
**MISCELLANEOUS**

**Section 10.01 Amendments, Etc.** (a) This Agreement, the other Loan Documents and any provision hereof or thereof may not be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or any date for reimbursement of a Facility Letter of Credit Obligation, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan or Facility Letter of Credit Obligation, in each case without the prior written consent of each Lender to which such Loan or Facility Letter of Credit Obligation is owing, (ii) increase or extend the Commitment or decrease or extend the date for payment of any fees of any Lender without the prior written consent of such Lender, (iii) amend or modify any provision requiring pro rata treatment of the Lenders, the provisions of Section 9.07, Section 11.01 or the provisions of this Section or release all or substantially all of the value of the guarantees provide by the Guarantors or all or substantially all of the Collateral, without the prior written consent of each Lender, (iv) waive, amend or modify any provision of Section 2.19 without the prior written consent of each Issuer or (v) reduce the percentage contained in the definition of the term "Required Lenders" without the prior written consent of each Lender (it being understood that with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as the Commitments on the date hereof); provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Agent or any Issuer (in their respective capacities as such) hereunder or under any other Loan Document without the prior written consent of the Agent or such Issuer.

(b) The Agent and the Borrower may amend any Loan Document to correct administrative errors or omissions, or to effect administrative changes that are not adverse to any Lender. Notwithstanding anything to the contrary contained herein, such amendment shall become effective without any further consent of any other party to such Loan Document.

**Section 10.02 Notices, Etc.** (a) All notices, demands, requests, consents and other communications provided for in this Agreement shall be given in writing, or by any telecommunication device capable of creating a written record (including electronic mail), and addressed to the party to be notified at its address for notices set forth on its signature page to this Agreement or in the case of any subsequent Lender, in its Administrative Questionnaire, or at such other address as shall be notified in writing (x) in the case of the Borrower and the Agent, to the other parties and (y) in the case of all other parties, to the Borrower and the Agent.

(b) All notices, demands, requests, consents and other communications described in Section 10.02(a) shall be effective (i) if delivered by hand, including any overnight courier service, upon personal delivery, (ii) if delivered by mail, when deposited in the mails, (iii) if delivered by posting to an Approved Electronic Platform, an Internet website or a similar telecommunication device requiring that a user have prior access to such Approved Electronic Platform, website or other device (to the extent permitted by Section 10.02(d) to be delivered

thereunder), when such notice, demand, request, consent and other communication shall have been made generally available on such Approved Electronic Platform, Internet website or similar device to the class of Person being notified (regardless of whether any such Person must accomplish, and whether or not any such Person shall have accomplished, any action prior to obtaining access to such items, including registration, disclosure of contact information, compliance with a standard user agreement or undertaking a duty of confidentiality) and such Person has been notified in respect of such posting that a communication has been posted to the Approved Electronic Platform, and (iv) if delivered by electronic mail or any other telecommunications device, when transmitted to an electronic mail address (or by another means of electronic delivery) as provided in Section 10.02(a); provided, however, that notices and communications to the Agent pursuant to Article II or Article IX shall not be effective until received by the Agent.

(c) Notwithstanding Sections 10.02(a) and (b) (unless the Agent requests that the provisions of Sections 10.02(a) and (b) be followed) and any other provision in this Agreement or any other Loan Document providing for the delivery of any Approved Electronic Communication by any other means, the Borrower shall deliver all Approved Electronic Communications to the Agent by properly transmitting such Approved Electronic Communications in an electronic/soft medium in a format acceptable to the Agent to such electronic mail address (or similar means of electronic delivery) as the Agent may notify to the Borrower. Nothing in this clause (c) shall prejudice the right of the Agent or any Lender to deliver any Approved Electronic Communication to the Borrower in any manner authorized in this Agreement or to request that the Borrower effect delivery in such manner.

(d) Each Lender, each Issuer and the Borrower agree that the Agent may, but shall not be obligated to, make the Approved Electronic Communications available to the Lenders and the Issuers by posting such Approved Electronic Communications on SyndTrak™, IntraLinks™ or a substantially similar electronic platform chosen by the Agent to be its electronic transmission system (the “Approved Electronic Platform”).

(e) Although the Approved Electronic Platform and its primary web portal are secured with generally-applicable security procedures and policies implemented or modified by the Agent from time to time (including, as of the Closing Date, a dual firewall and a User ID/Password Authorization System) and the Approved Electronic Platform is secured through a single-user-per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Lenders, the Issuers and the Borrower acknowledges and agrees that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution. In consideration for the convenience and other benefits afforded by such distribution and for the other consideration provided hereunder, the receipt and sufficiency of which is hereby acknowledged, each of the Lenders, the Issuers and the Borrower hereby approves distribution of the Approved Electronic Communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.

(f) THE APPROVED ELECTRONIC PLATFORM AND THE APPROVED ELECTRONIC COMMUNICATIONS ARE PROVIDED “AS IS” AND “AS AVAILABLE”.

NONE OF THE AGENT NOR ANY OF ITS AFFILIATES WARRANT THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE APPROVED ELECTRONIC COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM AND EACH EXPRESSLY DISCLAIMS ANY LIABILITY FOR ERRORS OR OMISSIONS IN THE APPROVED ELECTRONIC COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE AGENT IN CONNECTION WITH THE APPROVED ELECTRONIC COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM.

(g) Each of the Lenders, the Issuers and the Borrower agrees that the Agent may, but (except as may be required by applicable law) shall not be obligated to, store the Approved Electronic Communications on the Approved Electronic Platform in accordance with the Agent's generally-applicable document retention procedures and policies.

**Section 10.03 No Waiver.** No failure or delay on the part of any Lender or the Agent or the Issuer in exercising any right, power, or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. The making of a Loan or issuance, amendment or extension of a Facility Letter of Credit notwithstanding the existence of a Default or Event of Default shall not constitute any waiver or acquiescence of such Default or Event of Default, and the making of any Loan or issuance, amendment or extension of a Facility Letter of Credit notwithstanding any failure or inability to satisfy the conditions precedent to such Loan or issuance, amendment or extension of a Facility Letter of Credit shall not constitute any waiver or acquiescence with respect to such conditions precedent with respect to any subsequent Loans or subsequent issuance, amendment or extension of a Facility Letter of Credit. The rights and remedies provided herein are cumulative, and are not exclusive of any other rights, powers, privileges, or remedies, now or hereafter existing, at law, in equity or otherwise.

**Section 10.04 Costs, Expenses, and Taxes.** (a) The Borrower agrees to pay the Agent, the Arranger, the Lenders and the Issuers for all reasonable and documented out-of-pocket costs (including, without limitation, reasonable fees, disbursements and other charges of counsel) in connection with the preparation, negotiation, execution, delivery, review, amendment, modification, waiver and administration of the Loan Documents (whether or not the transactions contemplated hereby or thereby shall be consummated) and activities related thereto (such as, by way of example and not limitation, the Second Successor Agency and Amendment Agreement and any Servicing Arrangement). The Borrower also agrees to reimburse the Agent, the Lenders and the Issuers for any reasonable and documented out-of-pocket expenses (including, without limitation, fees, disbursement and other charges of counsel) of the Agent, the Lenders and the Issuers in connection with the collection of the Obligations and enforcement or protection of its rights in connection with the Loan Documents, including during any workout or restructuring in respect of the Loan Documents.

(b) The Borrower shall pay any and all stamp, documentary, court, intangible, filing and similar taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of any of the Loan Documents and the other documents to be delivered under any such Loan Documents, and agrees to hold the Agent and each of the Lenders and Issuers harmless from and against any and all liabilities with respect to or resulting from any delay in paying or failing to pay such taxes and fees.

(c) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law requires the deduction or withholding of any Tax from any such payment by any Loan Party or the Agent, then such Loan Party or the Agent, as applicable, shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law, and if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the Agent or any Lender or Issuer, as applicable, receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(d) The Borrower shall indemnify the Agent, and each Lender and Issuer, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by the Agent or such Lender or Issuer, as applicable, or required to be withheld or deducted from a payment to the Agent or such Lender or Issuer, as applicable, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or Issuer (with a copy to the Agent), or by the Agent on its own behalf or on behalf of a Lender or Issuer, shall be conclusive absent manifest error.

(e) If any party hereto determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 10.04 (including by the payment of additional amounts pursuant to this Section 10.04), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this subsection (e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority), in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this subsection (e) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted,

withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection (e) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(f) This Section 10.04 shall survive termination of this Agreement.

**Section 10.05 Integration.** This Agreement (including the Borrower's obligation to pay the fees as provided in Section 2.08(c) and in the Agent's Fee Letter referred to therein), the Loan Documents, the Fee Letter, the Reimbursement Agreements and the Commitment Letter (to the extent surviving the effectiveness hereof as provided therein) contain the entire agreement between the parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto.

**Section 10.06 Indemnity.** (a) The Borrower agrees to indemnify the Agent, each Lender, each Issuer and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and to hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnatee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document, the Second Successor Agency and Amendment Agreement and any agreement or instrument contemplated by any of the foregoing, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby (including the syndication of the Facility), (ii) the use of the proceeds of the Loans or issuance of Facility Letters of Credit, (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnatee is a party thereto (and regardless of whether such matter is initiated by a third party or by the Borrower, any other Loan Party or any of their respective Affiliates), or (iv) any actual or alleged presence or release of hazardous materials on any property currently or formerly owned or operated by the Borrower or any of its Subsidiaries, or any violation of or liability under environmental, health or safety laws related in any way to the Borrower or its Subsidiaries; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted primarily from (x) the gross negligence, willful misconduct or bad faith of such Indemnatee, or (y) a material breach by such Indemnatee of any funding obligation under this Agreement.

(b) To the extent that the Borrower fails to pay any amount required to be paid by it to the Agent or any Issuer under Section 10.04 or 10.06(a), each Lender severally agrees to pay to the Agent or such Issuer, as the case may be, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent or such Issuer in its capacity as such.

(c) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect,

consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Facility Letter of Credit or the use of the proceeds thereof.

(d) The provisions of this Section 10.06 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the expiration of any Facility Letter of Credit, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Agent or any Issuer. All amounts due under this Section 10.06 shall be payable on written demand therefor.

**Section 10.07 CHOICE OF LAW.** THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN FACILITY LETTERS OF CREDIT AND AS EXPRESSLY SET FORTH IN OTHER LOAN DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. EACH FACILITY LETTER OF CREDIT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OR RULES DESIGNATED IN SUCH FACILITY LETTER OF CREDIT, OR IF NO SUCH LAWS OR RULES ARE DESIGNATED, THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS MOST RECENTLY PUBLISHED AND IN EFFECT, ON THE DATE SUCH LETTER OF CREDIT WAS ISSUED, BY THE INTERNATIONAL CHAMBER OF COMMERCE (THE “UNIFORM CUSTOMS”) AND, AS TO MATTERS NOT GOVERNED BY THE UNIFORM CUSTOMS, THE LAWS OF THE STATE OF NEW YORK.

**Section 10.08 Severability of Provisions.** Any provision of any Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

**Section 10.09 Counterparts.** This Agreement may be executed in any number of counterparts and by the different parties to this Agreement in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic image shall be effective as delivery of a manually executed counterpart of this Agreement.

**Section 10.10 Headings.** Article and Section headings in the Loan Documents are included in such Loan Documents for the convenience of reference only and shall not constitute a part of the applicable Loan Documents for any other purpose.

**Section 10.11 CONSENT TO JURISDICTION.** (a) THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK CITY,

AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE AGENT, ANY ISSUER OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(b) THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS IN ANY NEW YORK STATE OR FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT

(c) THE BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN SUCH ACTION OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY LOAN DOCUMENT BY THE MAILING (BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID) OF COPIES OF SUCH PROCESS TO AN APPOINTED PROCESS AGENT OR THE BORROWER AT ITS ADDRESS SPECIFIED IN SECTION 10.02. THE BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING CONTAINED IN THIS SECTION 10.11 SHALL AFFECT THE RIGHT OF THE AGENT OR ANY LENDER OR ISSUER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE BORROWER OR ANY OTHER LOAN PARTY IN ANY OTHER JURISDICTION.

**Section 10.12 WAIVER OF JURY TRIAL.** THE BORROWER, THE AGENT, EACH ISSUER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL ACTION OR PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

**Section 10.13 Governmental Regulation.** Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

**Section 10.14 No Fiduciary Duty.** The relationship between the Borrower and the Issuers and the Lenders and the Agent shall be solely that of borrower and lender. Neither the Agent nor any Issuer or Lender shall have any fiduciary responsibilities to the Borrower. Neither the Agent nor any Issuer or Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Loan Parties acknowledge that the Agent, each Lender and their respective Affiliates may have economic interests that conflict with those of the Loan Parties, their stockholders and/or their respective affiliates.

**Section 10.15 Confidentiality.** (a) Each of the Agent, the Issuers and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' officers, directors, employees and agents, including accountants, legal counsel and other advisors, and any administration or settlement service providers (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority or quasi-regulatory authority (such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) in connection with the exercise of any remedies hereunder or under the other Loan Documents or any suit, action or proceeding relating to the enforcement of its rights hereunder or thereunder, (v) subject to an agreement containing provisions substantially the same as those of this Section 10.15, to (x) any actual or prospective assignee of or participant in any of its rights or obligations under this Agreement and the other Loan Documents or (y) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower or any Subsidiary or any of their respective obligations, (vi) with the consent of the Borrower or (vii) to the extent such Information becomes publicly available other than as a result of a breach of this Section 10.15. For the purposes of this Section, "Information" shall mean all information received from the Borrower and related to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that was available to the Agent, any Issuer or any Lender on a nonconfidential basis prior to its disclosure by the Borrower; *provided* that, in the case of Information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.15 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord its own confidential information.

(b) The Borrower hereby agrees, unless directed otherwise by the Agent or unless the electronic mail address referred in this Section 10.15(b) has not been provided by the Agent to the Borrower, that it will, or will cause its Subsidiaries to, provide to the Agent all information, documents and other materials that it is obligated to furnish to the Agent pursuant to the Loan



Documents or to the Lenders under Article 5, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) is or relates to a notice requesting a Borrowing pursuant to Section 2.03, a notice pursuant to Section 2.05 or a notice requesting the issuance, amendment, extension or renewal of a Letter of Credit pursuant to Section 2.19, (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default under this Agreement or any other Loan Document or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any Borrowing or other extension of credit hereunder (all such non-excluded communications being referred to herein collectively as “Communications”), by transmitting the Communications in an electronic/soft medium that is properly identified in a format acceptable to the Agent to an electronic mail address as directed by the Agent. In addition, the Borrower agrees, and agrees to cause its Subsidiaries, to continue to provide the Communications to the Agent or the Lenders, as the case may be, in the manner specified in the Loan Documents but only to the extent requested by the Agent.

(c) The Borrower hereby acknowledges that (i) the Agent will make available to the Lenders and the Issuer materials and/or information provided by or on behalf of the Borrower hereunder (collectively, the “Borrower Materials”) by posting the Borrower Materials to the Approved Electronic Platform and (ii) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a “Public Lender”). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Agent and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.15); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Approved Electronic Platform designated as “Public Investor;” and (z) the Agent shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not marked as “Public Investor.” Notwithstanding the foregoing, the following Borrower Materials shall be marked “PUBLIC”, unless the Borrower notifies the Agent promptly that any such document contains material non-public information: (1) the Loan Documents and (2) notification of changes in the terms of the Facilities. Notwithstanding anything in this Agreement to the contrary, the Borrower hereby acknowledges and agrees that all financial statements and certificates furnished pursuant to Sections 3.01(13), 5.08(1), 5.08(2), 5.08(4) and 5.08(6) are hereby deemed suitable for distribution, and shall be made available, to the Lender Parties as if the same had been marked “PUBLIC” in accordance with this Section 10.15.

(d) Each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the “Private Side Information” or similar designation on the content declaration screen of the Approved Electronic Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender’s compliance procedures and

applicable law, including United States Federal and state securities laws, to make reference to Communications that are not made available through the “Public Side Information” portion of the Approved Electronic Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

**Section 10.16 USA Patriot Act Notification.** Each Lender, Issuer and the Agent (for itself and not on behalf of any Lender or Issuer) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender, Issuer or the Agent, as applicable, to identify the Borrower in accordance with the USA PATRIOT Act.

**Section 10.17 Register.** The Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and Facility Letter of Credit Obligations owing to, each Lender pursuant to the terms hereof from time to time (the “Register”). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Agent, the Issuers and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

**Section 10.18 Waiver of Consequential Damages, Etc.** To the fullest extent permitted by applicable law, the no party hereto shall assert, and each such party hereby waives, any claim against all other parties hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof and any Facility Letter of Credit and the use thereof; provided, however, that nothing contained in this Section 10.18 or otherwise shall limit the Borrower’s indemnification and reimbursement obligations to the extent such special, indirect, consequential or punitive damages are included in any third-party claims with respect to which an Indemnitee is entitled to indemnification and/or reimbursement hereunder and the other Loan Documents.

**ARTICLE XI**  
**BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS**

**Section 11.01 Successors and Assigns.**

The provisions of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of an Issuer that issues any Facility Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder or under the other Loan Documents without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder or under the other Loan Documents except in accordance with this Article XI. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of an Issuer that issues any Facility Letter of Credit) and Participants (to the extent provided in Section 11.03)) any legal or equitable right, remedy or claim under or by reason of this Agreement.

**Section 11.02 Assignments.**

(a) Subject to the conditions set forth in Section 11.02(b), any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans at the time owing to it); provided that the written consents (which consents shall not be unreasonably withheld or delayed) of the Agent, each Issuer and (unless an Event of Default has occurred and is continuing) the Borrower shall be required prior to an assignment becoming effective with respect to an assignee which, prior to such assignment, is not a Lender, an Affiliate of a Lender or an Approved Fund; provided, further, that consent of the Borrower shall be deemed to have been given if the Borrower has not responded within five (5) Business Days of a request for such consent.

(b) Assignments shall be subject to the following additional conditions:

(i) each assignment shall be in an integral multiple of \$2,500,000 (provided that simultaneous assignments by two or more Approved Funds shall be combined for purposes of determining whether the minimum assignment requirement is met) or, if less, the entire remaining amount of such assigning Lender's Commitments and Loans,

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement,

(iii) the parties to each assignment shall (A) execute and deliver to the Agent an Assignment and Assumption ("Assignment and Assumption") in substantially the form of Exhibit E hereto via an electronic settlement system acceptable to the Agent or (B) if previously agreed with the Agent, manually execute and deliver to the Agent an Assignment and Assumption, in each case together with

a processing and recordation fee of \$3,500 (which fee may be waived or reduced in the sole discretion of the Agent);

(iv) the assignee, if it shall not be a Lender, shall deliver to the Agent an Administrative Questionnaire and all applicable tax forms;

(v) any Lender that assigns its Commitments, in whole or in part, shall assign a corresponding percentage of its Facility Letter of Credit Sublimit to the same assignee; and

(vi) no assignment shall be made to a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person).

(c) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 11.02(b)(iii), if applicable, any written consent to such assignment required by Section 11.02(a) and any applicable tax forms, the Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

**Section 11.03 Participations.** Any Lender may, without the consent of the Borrower, the Agent or any Issuer, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement and the other Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any applicable Note for all purposes under the Loan Documents, (iv) all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold participating interests and (v) the Borrower, the Agent, the Issuer and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) forgives principal, interest or fees (other than Agent's fees) or reduces the interest rate (other than Agent's fees) of such Lender, in each case with respect to Loans or other Obligations in which such Participant has an interest, (2) increases or extends the Commitments in which such Participant has an interest, (3) postpones the final maturity of the Facility or any date fixed for any regularly scheduled payment of principal of, or interest or fees (other than Agent's fees) or (4) releases all or substantially all of the value of the guarantees provided by the Guarantors or all or substantially all of the Collateral. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain

a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the U.S. Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Agent (in its capacity as Agent) shall have no responsibility for maintaining a Participant Register.

**Section 11.04 Pledge to Federal Reserve Bank.** Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender to a Federal Reserve Bank, and this Article shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

**Section 11.05 Intercreditor Agreement.** Each of the Lenders and the other Secured Parties (a) acknowledges that it has received a copy of the Intercreditor Agreement, (b) consents to the terms of the Intercreditor Agreement, (c) agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement and (d) authorizes and instructs the Agent to enter into the Intercreditor Agreement (including any and all amendments, amendments and restatements, modifications, supplements and acknowledgements thereto permitted hereby) from time to time as Agent and on behalf of such Person, and by its acceptance of the benefits of the Security Documents, hereby acknowledges and agrees to be bound by such provisions. Notwithstanding anything herein to the contrary, each Lender, each Issuer and the Agent acknowledge that the Lien and security interest granted to the Agent pursuant to the Security Documents and the exercise of any right or remedy by the Agent thereunder are subject to the provisions of the Intercreditor Agreement. In the event of a conflict or any inconsistency between the terms of the Intercreditor Agreement and the Security Documents, the terms of the Intercreditor Agreement shall prevail.

*[remainder of page intentionally left blank; signature pages follow]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written.

**BEAZER HOMES USA, INC.**

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

Address for Notices for all Loan Parties

1000 Abernathy Road  
Suite 260  
Atlanta, Georgia 30328  
Attention: President  
Tel: (770) 829-3700  
Fax: (770) 481-0431

**APRIL CORPORATION  
BEAZER ALLIED COMPANIES HOLDINGS, INC.  
BEAZER GENERAL SERVICES, INC.  
BEAZER HOMES CORP.  
BEAZER HOMES HOLDINGS CORP.  
BEAZER HOMES INDIANA HOLDINGS CORP.  
BEAZER HOMES SALES, INC.  
BEAZER HOMES TEXAS HOLDINGS, INC.  
BEAZER REALTY, INC.  
BEAZER REALTY CORP.  
BEAZER REALTY LOS ANGELES, INC.  
BEAZER REALTY SACRAMENTO, INC.  
BEAZER/SQUIRES REALTY, INC.  
HOMEBUILDERS TITLE SERVICES, INC.  
HOMEBUILDERS TITLE SERVICES OF VIRGINIA, INC.**

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**BEAZER MORTGAGE CORPORATION**

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**BEAZER HOMES TEXAS, L.P.**

By: BEAZER HOMES TEXAS HOLDINGS, INC.,  
its General Partner

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**BEAZER REALTY SERVICES, LLC**

By: BEAZER HOMES INVESTMENTS LLC, its Sole Member

By: BEAZER HOMES CORP., its Sole Member

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**PARAGON TITLE, LLC**

By: BEAZER HOMES INVESTMENTS, LLC, its Sole Member

By: BEAZER HOMES CORP., its Sole Member

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**TRINITY HOMES, LLC**

By: BEAZER HOMES INVESTMENTS, LLC, a Member

By: BEAZER HOMES CORP., its Sole Member

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**BH BUILDING PRODUCTS, LP**

By: BH PROCUREMENT SERVICES, LLC, its General Partner

By: BEAZER HOMES TEXAS, L.P., its Sole Member

By: BEAZER HOMES TEXAS HOLDINGS, INC.  
its General Partner

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**BH PROCUREMENT SERVICES, LLC**

By: BEAZER HOMES TEXAS, L.P., its Sole Member

By: BEAZER HOMES TEXAS HOLDINGS, INC.,  
its General Partner

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**CLARKSBURG ARORA LLC**

By: BEAZER CLARKSBURG, LLC, its Sole Member

By: BEAZER HOMES CORP.,  
its Sole Member

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President



**CLARKSBURG SKYLARK, LLC**

By: CLARKSBURG ARORA LLC, its Sole Member

By: BEAZER CLARKSBURG, LLC, its Sole Member

By: BEAZER HOMES CORP.,  
its Sole Member

By: \_\_\_\_\_

Name: Robert L. Salomon  
Title: Executive Vice President

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Administrative Agent, Lender and Issuer**

By: \_\_\_\_\_

Name:  
Title:

**[LENDER/ISSUER]  
as Lender and Issuer**

By: \_\_\_\_\_

Name:  
Title:

**[LENDER]  
as Lender**

By: \_\_\_\_\_

Name:  
Title:

**[ISSUER]  
as Issuer**

By: \_\_\_\_\_

Name:  
Title:

**LOCAL COUNSEL**

1. Holland & Knight LLP, Tennessee counsel to Beazer Homes Corp., a Tennessee corporation

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## SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction of Incorporation
April Corporation	Colorado
Arden Park Ventures, LLC	Florida
Beazer Allied Companies Holdings, Inc.	Delaware
Beazer Clarksburg, LLC	Maryland
Beazer Commercial Holdings, LLC	Delaware
Beazer General Services, Inc.	Delaware
Beazer Homes Capital Trust I	Delaware
Beazer Homes Corp.	Tennessee
Beazer Homes Holdings Corp.	Delaware
Beazer Homes Indiana LLP	Indiana
Beazer Homes Indiana Holdings Corp.	Delaware
Beazer Homes Investments, LLC	Delaware
Beazer Homes Michigan, LLC	Delaware
Beazer Homes Sales, Inc.	Delaware
Beazer Homes Texas Holdings, Inc.	Delaware
Beazer Homes Texas, L.P.	Delaware
Beazer-Inspirada LLC	Delaware
Beazer Mortgage Corporation	Delaware
Beazer Pre-Owned Construction, LLC	Delaware
Beazer Realty Corp.	Georgia
Beazer Realty, Inc.	New Jersey
Beazer Realty Los Angeles, Inc.	Delaware
Beazer Realty Sacramento, Inc.	Delaware
Beazer Realty Services, LLC	Delaware
Beazer Rental OpCo, LLC	Delaware
Beazer SPE, LLC	Georgia
Beazer/Squires Realty, Inc.	North Carolina
BH Building Products, LP	Delaware
BH Procurement Services, LLC	Delaware
Clarksburg Arora LLC	Maryland
Clarksburg Skylark, LLC	Maryland
Elysian Heights Potomia, LLC	Virginia
Dove Barrington Development LLC	Delaware
Homebuilders Title Services of Virginia, Inc.	Virginia
Homebuilders Title Services, Inc.	Delaware
Paragon Title, LLC	Indiana
Security Title Insurance Company	Vermont
The Ridings Development LLC	Delaware
Trinity Homes, LLC	Indiana
United Home Insurance Company, <i>A Risk Retention Group</i>	Vermont

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-163110, 333-172483 and 333-196642 on Form S-3 and in Registration Statement Nos. 333-116573, 333-168794, and 333-200542 on Form S-8 of Beazer Homes USA, Inc. and subsidiaries (the "Company") of our reports dated November 10, 2015, relating to the consolidated financial statements of Beazer Homes USA, Inc. and subsidiaries, and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K of Beazer Homes USA, Inc. for the year ended September 30, 2015.

/s/ Deloitte & Touche LLP

Atlanta, Georgia  
November 10, 2015

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

I, Allan P. Merrill, certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2015

/s/ Allan P. Merrill

Allan P. Merrill

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, Robert L. Salomon, certify that:

1. I have reviewed this annual report on Form 10-K of Beazer Homes USA, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2015

/s/ Robert L. Salomon

Robert L. Salomon

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**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Beazer Homes USA, Inc. (the "Company") hereby certifies that the Report on Form 10-K of the Company for the period ended September 30, 2015, accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2015

/s/ Allan P. Merrill

\_\_\_\_\_  
Allan P. Merrill

President and Chief Executive Officer

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



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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of Beazer Homes USA, Inc. (the "Company") hereby certifies that the Report on Form 10-K of the Company for the period ended September 30, 2015, accompanying this certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2015

/s/ Robert L. Salomon

\_\_\_\_\_  
Robert L. Salomon

Executive Vice President and Chief Financial Officer

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