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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2008

or

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

Commission File Number 001-12822

BEAZER HOMES USA, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	58-2086934 (I.R.S. employer Identification no.)
1000 Abernathy Road, Suite 1200, Atlanta, Georgia (Address of principal executive offices)	30328 (Zip Code)

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

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

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):

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 o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Class	Outstanding at July 31, 2008
Common Stock, $0.001 par value	39,240,011 shares

References to “we,” “us,” “our,” “Beazer”, “Beazer Homes” and the “Company” in this quarterly report on Form 10-Q refer to Beazer Homes USA, Inc.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent our expectations or beliefs concerning future events, and it is possible that the results described in this quarterly report will not be achieved. These forward-looking statements can generally be identified by the use of statements that include words such as “estimate,” “project,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “likely,” “will,” “goal,” “target” or other similar words or phrases. All forward-looking statements are based upon information available to us on the date of this quarterly report.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the matters discussed in this quarterly report 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 our Annual Report on Form 10-K for the fiscal year ended September 30, 2007. Such factors may include:

- the timing and final outcome of the United States Attorney investigation, the Securities and Exchange Commission’s (“SEC”) investigation and other state and federal agency investigations, the putative class action lawsuits, the derivative claims, multi-party suits and similar proceedings as well as the results of any other litigation or government proceedings;
- material weaknesses in our internal control over financial reporting;
- additional asset impairment charges or writedowns;
- economic changes nationally or in local markets, including changes in consumer confidence, volatility of mortgage interest rates and inflation;
- continued or increased downturn in the homebuilding industry;
- estimates related to homes to be delivered in the future (backlog) are imprecise as they are subject to various cancellation risks which cannot be fully controlled;
- continued or increased disruption in the availability of mortgage financing;
- our cost of and ability to access capital and otherwise meet our ongoing liquidity needs including the impact of any further downgrades of our credit ratings;
- potential inability to comply with covenants in our debt agreements;
- continued negative publicity;
- increased competition or delays in reacting to changing consumer preference in home design;
- shortages of or increased prices for labor, land or raw materials used in housing production;
- factors affecting margins such as decreased land values underlying land option agreements, increased land development costs on projects under development or delays or difficulties in implementing initiatives to reduce production and overhead cost structure;
- the performance of our joint ventures and our joint venture partners;
- the impact of construction defect and home warranty claims and the cost and availability of insurance, including the availability of insurance for the presence of moisture intrusion;
- a material failure on the part of our subsidiary Trinity Homes LLC to satisfy the conditions of the class action settlement agreement, including assessment and remediation with respect to moisture intrusion related issues;
- delays in land development or home construction resulting from adverse weather conditions;
- potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations, or governmental policies and possible penalties for failure to comply with such laws, regulations and governmental policies;
- effects of changes in accounting policies, standards, guidelines or principles; or
- terrorist acts, acts of war and other factors over which the Company has little or no control.

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

BEAZER HOMES USA, INC.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2008	September 30, 2007
ASSETS		
Cash and cash equivalents	**$ 314,202**	$ 454,337
Restricted cash	**903**	5,171
Accounts receivable	**53,092**	45,501
Income tax receivable	**144,544**	63,981
Inventory		
Owned inventory	**1,908,227**	2,537,791
Consolidated inventory not owned	**120,316**	237,382
Total inventory	**2,028,543**	2,775,173
Residential mortgage loans available-for-sale	**93**	781
Investments in unconsolidated joint ventures	**37,727**	109,143
Deferred tax assets	**416,354**	232,949
Property, plant and equipment, net	**51,581**	71,682
Goodwill	**16,143**	68,613
Other assets	**83,189**	102,690
Total assets	**$ 3,146,371**	$ 3,930,021
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	**$ 90,111**	$ 118,030
Other liabilities	**366,882**	453,089
Obligations related to consolidated inventory not owned	**83,005**	177,931
Senior Notes (net of discounts of $2,682 and $3,033, respectively)	**1,522,318**	1,521,967
Junior subordinated notes	**103,093**	103,093
Other secured notes payable	**50,388**	118,073
Model home financing obligations	**86,388**	114,116
Total liabilities	**2,302,185**	2,606,299
Stockholders' equity:		
Preferred stock (par value $.01 per share, 5,000,000 shares authorized, no shares issued)	**—**	—
Common stock (par value $0.001 per share, 80,000,000 shares authorized, 42,578,665 and 42,597,229 issued and 39,240,011 and 39,261,721 outstanding, respectively)	**43**	43
Paid-in capital	**552,279**	543,705
Retained earnings	**475,786**	963,869
Treasury stock, at cost (3,338,654 and 3,335,508 shares, respectively)	**(183,922)**	(183,895)
Total stockholders' equity	**844,186**	1,323,722
Total liabilities and stockholders' equity	**$ 3,146,371**	$ 3,930,021

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Total revenue	**$ 455,578**	$ 753,456	**$ 1,361,649**	$ 2,373,048
Home construction and land sales expenses	**407,512**	647,489	**1,223,252**	2,022,687
Inventory impairments and option contract abandonments	**95,482**	154,244	**451,854**	399,856
Gross loss	**(47,416)**	(48,277)	**(313,457)**	(49,495)
Selling, general and administrative expenses	**83,517**	96,327	**245,696**	302,323
Depreciation and amortization	**6,046**	7,773	**18,250**	22,838
Goodwill impairment	**4,365**	29,752	**52,470**	29,752
Operating loss	**(141,344)**	(182,129)	**(629,873)**	(404,408)
Equity in loss of unconsolidated joint ventures	**(18,568)**	(939)	**(75,069)**	(7,012)
Other (expense) income, net	**(13,489)**	2,664	**(20,907)**	7,870
Loss from continuing operations before income taxes	**(173,401)**	(180,404)	**(725,849)**	(403,550)
Benefit from income taxes	**(63,707)**	(61,474)	**(249,771)**	(145,161)
Loss from continuing operations	**(109,694)**	(118,930)	**(476,078)**	(258,389)
(Loss) income from discontinued operations, net of tax	**(148)**	183	**(1,893)**	2,548
Net loss	**$ (109,842)**	$ (118,747)	**$ (477,971)**	$ (255,841)
Weighted average number of shares:				
Basic	**38,551**	38,459	**38,546**	38,388
Diluted	**38,551**	38,459	**38,546**	38,388
Earnings (loss) per share:				
Basic loss per share from continuing operations	**$ (2.85)**	$ (3.09)	**$ (12.35)**	$ (6.73)
Basic (loss) earnings per share from discontinued operations	**$ —**	$ —	**$ (0.05)**	$ 0.07
Basic loss per share	**$ (2.85)**	$ (3.09)	**$ (12.40)**	$ (6.66)
Diluted loss per share from continuing operations	**$ (2.85)**	$ (3.09)	**$ (12.35)**	$ (6.73)
Diluted (loss) earnings per share from discontinued operations	**$ —**	$ —	**$ (0.05)**	$ 0.07
Diluted loss per share	**$ (2.85)**	$ (3.09)	**$ (12.40)**	$ (6.66)
Cash dividends per share	**$ —**	$ 0.10	**$ —**	$ 0.30

See Notes to Unaudited Condensed Consolidated Financial Statements.

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BEAZER HOMES USA, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Cash flows from operating activities:		
Net loss	**$ (477,971)**	$ (255,841)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**18,415**	23,169
Stock-based compensation expense	**8,694**	7,406
Inventory impairments and option contract abandonments	**451,854**	399,856
Goodwill impairment charge	**52,470**	29,752
Deferred income tax benefit	**(118,817)**	(108,092)
Excess tax benefit (deficiency) from equity-based compensation	**454**	(3,212)
Equity in loss of unconsolidated joint ventures	**75,069**	7,012
Cash distributions of income from unconsolidated joint ventures	**2,096**	3,625
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	**(5,647)**	265,092
Increase in income tax receivable	**(80,563)**	(42,209)
Decrease (increase) in inventory	**261,324**	(116,057)
Decrease in residential mortgage loans available-for-sale	**688**	67,803
Decrease (increase) in other assets	**40,636**	(12,083)
Decrease in trade accounts payable	**(28,176)**	(47,947)
Decrease in other liabilities	**(169,673)**	(97,175)
Other changes	**(6,354)**	950
Net cash provided by operating activities	**24,499**	122,049
Cash flows from investing activities:		
Capital expenditures	**(7,949)**	(23,948)
Investments in unconsolidated joint ventures	**(11,137)**	(18,666)
Changes in restricted cash	**4,268**	(619)
Distributions from unconsolidated joint ventures	**—**	1,732
Net cash used in investing activities	**(14,818)**	(41,501)
Cash flows from financing activities:		
Borrowings under credit facilities and warehouse line	**—**	130,031
Repayment of credit facilities and warehouse line	**—**	(204,138)
Repayment of other secured notes payable	**(100,472)**	(14,431)
Repurchase of senior notes	**—**	(30,413)
Borrowings under model home financing obligations	**—**	5,061
Repayment of model home financing obligations	**(27,728)**	(5,618)
Debt issuance costs	**(21,135)**	(324)
Proceeds from stock option exercises	**—**	4,423
Common stock redeemed	**(27)**	(304)
Excess (tax benefit) deficiency from equity-based compensation	**(454)**	3,212
Dividends paid	**—**	(11,708)
Net cash used in financing activities	**(149,816)**	(124,209)
Decrease in cash and cash equivalents	**(140,135)**	(43,661)
Cash and cash equivalents at beginning of period	**454,337**	167,570
Cash and cash equivalents at end of period	**$ 314,202**	$ 123,909

See Notes to Unaudited Condensed Consolidated Financial Statements.

BEAZER HOMES USA, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Beazer Homes USA, Inc. ("Beazer Homes" or "the Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such financial statements do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In our opinion, all adjustments (consisting solely of normal recurring accruals) necessary for a fair presentation have been included in the accompanying financial statements. For further information and a discussion of our significant accounting policies other than as discussed below, refer to our audited consolidated financial statements appearing in the Beazer Homes' Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (the "2007 Annual Report").

Stock-Based Compensation. In the first quarter of fiscal 2006, we adopted Statement of Financial Accounting Standards ("SFAS") 123R, *Share-Based Payment*. SFAS 123R applies to new awards and to awards modified, repurchased, or cancelled after October 1, 2005, as well as to the unvested portion of awards outstanding as of October 1, 2005. We use the Black-Scholes model to value stock-settled appreciation rights ("SSARs") and stock option grants under SFAS 123R, and applied the "modified prospective method" for existing grants which requires us to value grants made prior to our adoption of SFAS 123R under the fair value method and expense the unvested portion over the remaining vesting period. SFAS 123R also requires us to estimate forfeitures in calculating the expense related to stock-based compensation. In addition, SFAS 123R requires us to reflect the benefits of tax deductions in excess of recognized compensation cost as a financing cash inflow and an operating cash outflow.

Nonvested stock granted to employees is valued based on the market price of the common stock on the date of the grant. Performance based, nonvested stock granted to employees is valued using the Monte Carlo valuation method. No performance-based nonvested stock was granted during the nine months ended June 30, 2008 or 2007.

Compensation cost arising from nonvested stock granted to employees and from non-employee stock awards is recognized as an expense using the straight-line method over the vesting period. Unearned compensation is included in paid-in capital in accordance with SFAS 123R. As of June 30, 2008, there was $15.3 million of total unrecognized compensation cost related to nonvested stock. That cost is expected to be recognized over a weighted average period of 3.3 years. For the three and nine months ended June 30, 2008, our total stock-based compensation expense, included in selling, general and administrative expenses ("SG&A"), was approximately $3.5 million ($2.4 million net of tax) and $8.7 million ($6.1 million net of tax), respectively. Stock-based compensation expense for the three and nine months ended June 30, 2007 was approximately $3.5 million ($2.4 million net of tax) and $7.4 million ($5.0 million net of tax), respectively.

Activity relating to nonvested stock awards for the three and nine months ended June 30, 2008 is as follows:

	Three Months Ended June 30, 2008		Nine Months Ended June 30, 2008	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning of period	849,396	$47.71	905,898	$48.42
Granted	—	0.00	26,411	8.49
Vested	(5,706)	51.91	(34,237)	48.44
Forfeited	(841)	44.57	(55,223)	45.05
End of period	842,849	$47.39	842,849	$47.39

In addition, during the nine months ended June 30, 2008, employees surrendered 3,146 shares, to us in payment of minimum tax obligations upon the vesting of nonvested stock under our stock incentive plans. We valued the stock at the market price on the date of surrender, for an aggregate value of approximately $27,000, or approximately $8.53 per share, respectively.

The fair value of each option/SSAR grant is estimated on the date of grant using the Black-Scholes option-pricing model. Expected life of options and SSARs granted is generally computed using the mid-point between the vesting period and contractual life of the options/SSARs granted. Expected volatilities are based on the historical volatility of the Beazer Homes' stock and other factors. Expected discrete dividends of $0.00 per quarter (previously $0.10 per quarter through September 30, 2007 until we suspended further dividend payments) are assumed in lieu of a continuously compounding dividend yield. There were no options or SSARs grants in the nine months ended June 30, 2008.

The following table summarizes stock options and SSARs outstanding as of June 30, 2008, as well as activity during the three and nine months then ended:

	Three Months Ended June 30, 2008		Nine Months Ended June 30, 2008	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	1,924,315	$ 45.25	2,052,379	$ 45.01
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(13,215)	45.81	(141,279)	41.88
Outstanding at end of period	1,911,100	$ 45.24	1,911,100	$ 45.24
Exercisable at end of period	744,646	$ 28.73	744,646	$ 28.73
Vested or expected to vest in the future	1,554,911	$ 42.02	1,554,911	$ 42.02

At June 30, 2008, the weighted-average remaining contractual life for all options/SSARs outstanding, currently exercisable, and vested or expected to vest in the future was 4.41 years, 3.46 years and 4.31 years, respectively.

At June 30, 2008, 1,554,911 SSARs/options were vested or expected to vest in the future with a weighted average exercise price of $42.02 and a weighted average expected life of 2.57 years. At June 30, 2008, there was no aggregate intrinsic value of SSARs/options outstanding, vested and expected to vest in the future and SSARs/options exercisable based on the Company's stock price of $5.57 as of June 30, 2008. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option. There were no option/SSAR exercises during the three or nine months ended June 30, 2008.

Recently Adopted Accounting Pronouncements. On October 1, 2007, the Company adopted the provisions of Emerging Issues Task Force ("EITF") Issue No. 06-8, *Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums*. EITF 06-8 states that the adequacy of the buyer's continuing investment under SFAS 66 should be assessed in determining whether to recognize profit under the percentage-of-completion method on the sale of individual units in a condominium project. This consensus requires that additional deposits be collected by developers of condominium projects that wish to recognize profit during the construction period under the percentage-of-completion method. EITF 06-8 is effective for fiscal years beginning after March 15, 2007. The adoption of EITF 06-8 did not have a material impact on our consolidated financial position, results of operations or cash flows.

As described in Note 8, on October 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109* .

Recent Accounting Pronouncements Not Yet Adopted. In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations*. SFAS 141R amends and clarifies the accounting guidance for the acquirer's recognition and measurement of assets acquired, liabilities assumed and noncontrolling interests of an acquiree in a business combination. SFAS 141R is effective for our fiscal year ended September 30, 2009. We do not expect the adoption of SFAS 141R to have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*, SFAS 157 provides guidance for using fair value to measure assets and liabilities. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS 157 includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and for interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position ("FSP") 157-2, *Effective Date of FASB Statement No. 157*, delaying the effective date of certain non-financial assets and liabilities to fiscal periods beginning after November 15, 2008. We are currently evaluating the impact of adopting SFAS 157 on our consolidated financial condition and results of operations; however, it is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. SFAS 159 permits companies to measure certain financial instruments and other items at fair value. SFAS 159 is effective for our fiscal year beginning October 1, 2008. We are currently evaluating the impact of adopting SFAS 159 on our consolidated financial condition and results of operations; however, it is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB 51*. SFAS 160 requires that a noncontrolling interest (formerly minority interest) in a subsidiary be classified as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be included in the consolidated financial statements. SFAS 160 is effective for our fiscal year beginning October 1, 2009 and its provisions will be applied retrospectively upon adoption. We are currently evaluating the impact of adopting SFAS 160 on our consolidated financial condition and results of operations.

In December 2007, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 110 which expresses the views of the Staff regarding the use of the "simplified" method (the mid-point between the vesting period and contractual life of the option) for "plain vanilla" options in accordance with SFAS 123R. SAB 110 will allow the use of the "simplified" method beyond December 31, 2007 under certain conditions including a company's inability to rely on historical exercise data. We will consider SAB 110 for future grants.

Inventory Valuation — Held for Development. Our homebuilding inventories that are accounted for as held for development include land and home construction assets grouped together as communities. Land held for future development is stated at cost. 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 in accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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. The impact of the downturn in our business has significantly lengthened 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 should be recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

We conduct a review of the recoverability of our homebuilding inventory held for development at the community level as factors indicate that an impairment may exist. Events and circumstances that might indicate impairment include, but are not limited to, adverse trends in new orders, higher than anticipated cancellations, declining margins which might result from (1) the need to offer incentives to new homebuyers to drive sales or (2) price reductions or other actions taken by our competitors, and economic factors specific to the markets in which we operate, including fluctuations in employment levels, population growth, or levels of new and resale homes for sale in the marketplace.

As a result, we evaluate, among other things, the following information for each community:

- Actual "Net Contribution Margin" (defined as homebuilding revenues less homebuilding costs and direct selling expenses) for homes closed in the current fiscal quarter, fiscal year to date and prior two fiscal quarters. Homebuilding costs include land and land development costs (based upon an allocation of such costs, including costs to complete the development, or specific lot costs), home construction costs (including an estimate of costs, if any, to complete home construction), previously capitalized indirect costs (principally for construction supervision), capitalized interest and estimated warranty costs;

- Projected Net Contribution Margin for homes in backlog;

- Actual and trending new orders and cancellation rates;
- Actual and trending base home sales prices and sales incentives for home sales that occurred in the prior two fiscal quarters that remain in backlog at the end of the fiscal quarter and expected future homes sales prices and sales incentives and absorption over the expected remaining life of the community;
- A comparison of our community to our competition to include, among other things, an analysis of various product offerings, including the size and style of the homes currently offered for sale, community amenity levels, availability of lots in our community and our competition's, desirability and uniqueness of our community and other market factors; and
- Other events that may indicate that the carrying value may not be recoverable.

In determining the recoverability of the carrying value of the assets of a community that we have evaluated as requiring a test for impairment, significant quantitative and qualitative assumptions are made relative to the future home sales prices, sales incentives, direct and indirect costs of home construction and land development and the pace of new home orders. In addition, these assumptions are dependent upon the specific market conditions and competitive factors for each specific community and may differ greatly between communities within the same market and communities in different markets. Our estimates are made using information available at the date of the recoverability test, however, as facts and circumstances may change in future reporting periods, our estimates of recoverability are subject to change.

For assets in communities for which the undiscounted future cash flows are less than the carrying value, the carrying value of that community is written down to its then estimated fair value based on discounted cash flows. The carrying value for assets in communities that were previously impaired and continue to be classified as held for development is not written up for future estimates of increases in fair value in future reporting periods. 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 the market continues to deteriorate.

The fair value of the assets held for development 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, 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. As of June 30, 2008, we used discount rates of 18% to 21% in our estimated discounted cash flow impairment calculations. We recorded impairments on land held for development and homes under construction during the three and nine months ended June 30, 2008 of $46.8 million and $273.9 million, respectively. We recorded impairments on inventory held for development of $109.4 million and $306.8 million during the three and nine months ended June 30, 2007, respectively.

Due to uncertainties in the estimation process, particularly with respect to projected home sales prices and absorption rate, 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 historical 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. We calculated the estimated fair values of inventory held for development that were evaluated for impairment based on current market conditions and assumptions made by management relative to future results. Because the projected cash flows are significantly impacted by changes in market conditions, it is reasonably possible that actual results could differ materially from our estimates and result in additional impairments.

Inventory Valuation — Land Held for Sale. We record assets held for sale at the lower of the carrying value or fair value less costs to sell in accordance with SFAS 144. 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 land has been initiated;
- the sale of the land is probable within one year;
- the land 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, we will re-evaluate the best use of an asset that is currently being accounted for as held for development. In such instances, we 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, the foregoing criteria have been met at the end of the applicable reporting period, 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.

In determining the fair value of the assets less cost to sell, we considered 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. During the three and nine months ended June 30, 2008, we recorded inventory impairments on land held for sale of approximately $21.0 million and $110.1 million, respectively. During the nine months ended June 30, 2007, we recorded inventory impairments on land held for sale of approximately $4.0 million. No held for sale inventory impairments were recorded for the three months ended June 30, 2007.

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 current 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 continue to deteriorate.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of assets acquired. We test goodwill for impairment annually as of April 30 or more frequently if an event occurs or circumstances indicate that the asset might be impaired. For purposes of goodwill impairment testing, we compare the fair value of each reporting unit with its carrying amount, including goodwill. Each of our operating divisions is considered a reporting unit. The fair value of each reporting unit is determined based on expected discounted future cash flows. If the carrying amount of a reporting unit exceeds its fair value, the goodwill within the reporting unit may be potentially impaired. An impairment loss is recognized if the carrying amount of the goodwill exceeds implied fair value of that goodwill. As a result of significantly less than expected new orders in our prime selling season, which is our second fiscal quarter, significant pricing pressures and additional incentives provided to homebuyers, our reforecasting of expected future results of operations and increasing inventory impairment charges, we tested all remaining goodwill balances for impairment as of March 31, 2008. We recorded estimated goodwill impairment charges totaling $48.1 million relating to our reporting units in Arizona, Southern California, New Jersey and Virginia during the quarter ended March 31, 2008. In connection with our annual goodwill impairment test as of April 30, 2008, we finalized our impairment calculations, validating the impairments recorded for the three months ended March 31, 2008. Also, in connection with our annual goodwill impairment test and our decision in the third quarter to exit our Colorado market, we recorded an additional impairment charge of $4.4 million related to our Colorado reporting unit.

Goodwill impairment charges are reported in Corporate and unallocated and are not allocated to our homebuilding segments. Goodwill balances by reportable segment as of September 30, 2007 and June 30, 2008 were as follows:

(in thousands)	September 30, 2007	Goodwill Impairment	**June 30, 2008**
West	$ 29,034	$ (29,034)	**$ —**
Mid-Atlantic	23,286	(19,072)	**4,214**
Southeast	5,044	—	**5,044**
Other Homebuilding	11,249	(4,364)	**6,885**
Total	$ 68,613	$ (52,470)	**$ 16,143**

Inherent in our fair value determinations are certain judgments and estimates, including projections of future cash flows, the discount rate reflecting the risk inherent in future cash flows, our interpretation of current economic indicators and market valuations and our strategic plans with regard to our operations. A change in these underlying assumptions would cause a change in the results of the tests, which could cause the fair value of one or more reporting units to be more or less than their respective carrying amounts. In addition, to the extent that there are significant changes in market conditions or overall economic conditions or our strategic plans change, it is possible that our conclusion regarding goodwill impairment could change, which could have a material adverse effect on our financial position and results of operations. Impairment charges related to reporting units which are not currently impaired may occur in the future if further market deterioration occurs resulting in a revised analysis of fair value.

(2) Supplemental Cash Flow Information

During the nine months ended June 30, we paid interest of $122.9 million in 2008 and $126.9 million in 2007. In addition, we paid income taxes of $0.8 million in 2008 and $15.7 million in 2007 and received tax refunds of $56.6 million in fiscal 2008 related to the carryback of tax losses. We also had the following non-cash activity (in thousands):

	Nine Months Ended June 30,	
	2008	2007
Supplemental disclosure of non-cash activity:		
Decrease in consolidated inventory not owned	**$(94,926)**	$(67,653)
Land acquired through issuance of notes payable	**32,786**	46,539
Issuance of stock under deferred bonus stock plans	**94**	426

(3) Inventory

(in thousands)	**June 30, 2008**	September 30, 2007
Homes under construction	**$ 626,890**	$ 787,102
Development projects in progress	**600,175**	1,233,140
Land held for future development	**364,163**	324,350
Land held for sale	**215,679**	49,473
Model homes	**101,320**	143,726
Total owned inventory	**$ 1,908,227**	$ 2,537,791

Homes under construction includes homes finished and ready for delivery and homes in various stages of construction. We had 300 ($60.2 million) and 862 ($179.4 million) completed homes that were not subject to a sales contract at June 30, 2008 and September 30, 2007, respectively. Development projects in progress consist principally of land and land improvement costs. Certain of the fully developed lots in this category are reserved by a deposit or sales contract. Land held for sale as of June 30, 2008 principally included land held for sale in the markets we have decided to exit including Denver, Colorado, Columbus and Cincinnati, Ohio, Lexington, Kentucky and Charlotte, North Carolina.

Total owned inventory, by reportable segment, is set forth in the table below (in thousands):

	June 30, 2008				September 30, 2007			
	Projects in Progress	Held for Future Development	Land Held for Sale	Total Owned Inventory	Projects in Progress	Held for Future Development	Land Held for Sale	Total Owned Inventory
West Segment	$ 339,665	$293,179	$ 35,529	$ 668,373	$ 581,763	$286,912	$35,578	$ 904,253
Mid-Atlantic Segment	295,504	41,072	86,873	423,449	430,677	9,035	—	439,712
Florida Segment	89,747	13,912	13,172	116,831	196,080	7,337	—	203,417
Southeast Segment	211,020	10,502	58,437	279,959	362,609	10,502	1,407	374,518
Other	246,083	5,498	21,668	273,249	396,630	10,564	12,488	419,682
Unallocated	146,366	—	—	146,366	196,209	—	—	196,209
Total	$1,328,385	$364,163	$215,679	$1,908,227	$2,163,968	$324,350	$49,473	$2,537,791

The following tables set forth, by reportable segment, the inventory impairments and lot option abandonment charges recorded (in thousands):

	Quarter Ended June 30, 2008	Quarter Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Development projects and homes in process (Held for Development)				
West	**$ 20,371**	$ 57,623	**$ 145,792**	$ 140,532
Mid-Atlantic	**2,402**	6,516	**52,280**	41,495
Florida	**9,032**	16,931	**21,171**	54,904
Southeast	**9,817**	7,204	**27,427**	12,075
Other	**2,085**	14,960	**7,409**	39,450
Unallocated	**3,053**	6,194	**19,790**	18,389
Subtotal	**$ 46,760**	$ 109,428	**$ 273,869**	$ 306,845
Land Held for Sale				
West	**$ 6,910**	$ —	**$ 7,714**	$ 3,105
Mid-Atlantic	**5,631**	—	**14,802**	—
Florida	**804**	—	**23,839**	—
Southeast	**3,793**	—	**19,246**	500
Other	**3,828**	—	**44,458**	350
Subtotal	**$ 20,966**	$ —	**$ 110,059**	$ 3,955
Lot Option Abandonments				
West	**$ 14,134**	$ 19,858	**$ 14,962**	$ 31,616
Mid-Atlantic	**21**	14,477	**6,679**	19,174
Florida	**606**	7,209	**4,354**	21,481
Southeast	**684**	2,685	**28,074**	5,934
Other	**12,311**	587	**13,857**	10,851
Subtotal	**$ 27,756**	$ 44,816	**$ 67,926**	$ 89,056
Total	**$ 95,482**	$ 154,244	**$ 451,854**	$ 399,856

The inventory impaired during the three and nine months ended June 30, 2008 represented 2,430 and 8,850 lots in 44 and 191 communities with an estimated fair value of $164.2 million and $556.2 million, respectively. The impairments recorded on our held for development inventory, for all segments, primarily resulted from the continued significant decline in the homebuilding environment that negatively impacted the sales prices of homes and increased the sales incentives offered to potential homebuyers in our efforts to increase home sales absorptions. Fiscal year to date, our West and Mid-Atlantic segments experienced the most significant amount of inventory impairments as compared to our other homebuilding segments due to the fact that the number of owned land and lots in the West and Mid-Atlantic segments comprise approximately 29.5% and 12.7%, respectively, of our total land and lots owned as of June 30, 2008 and approximately 37.4% and 19.9%, respectively, of the dollar value of our held for development inventory as of June 30, 2008. In addition, our homebuilding markets that comprise our West segment consist of markets that once experienced the most significant home price appreciation in the nation during the 2004 through 2006 periods which was partially driven by speculative purchases and the availability of mortgage credit during those time periods. The decline in the availability of mortgage loan products and the exit of speculators from the market, among other factors, contributed to the significant increase in the supply of new and used homes on the market for sale.

The impairments recorded in our other segments are primarily as a result of continued price competition brought on by the continued high levels of new and resale home inventory for sale during the three and nine months ended June 30, 2008 that has resulted in increased sales incentives and home sales price declines as we attempt to increase new orders and generate cash to the Company.

During the three and nine months ended June 30, 2008, as a result of the Company’s decision to re-allocate capital employed through strategic sales of select properties and through the exiting of certain markets no longer viewed as strategic and based on current estimated fair values, less costs to sell, as compared to book values, we recorded impairments on land held for sale. During the three months ended June 30, 2008, we decided to exit the Denver, Colorado and Fresno, California markets.

We also have access to land inventory through lot option contracts, which generally enables 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. Under lot option contracts, both with and without specific performance provisions, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our obligation with respect to options with specific performance provisions is included in our consolidated balance sheets in other liabilities. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately $76.7 million at June 30, 2008. This amount includes non-refundable letters of credit of approximately $12.8 million. The total remaining purchase price, net of cash deposits, committed under all options was $861.6 million as of June 30, 2008. Only $34.8 million of the total remaining purchase price contains specific performance clauses which may require us to purchase the land or lots upon the land seller meeting certain obligations.

In addition, we have also completed a strategic review of all of the markets within our homebuilding segments and the communities within each of those markets with an initial focus on the communities for which land has been secured with option purchase contracts. As a result of this review, we have determined the proper course of action with respect to a number of communities within each homebuilding segment was to abandon the remaining lots under option and to write-off the deposits securing the option takedowns, as well as preacquisition costs. In determining whether to abandon a lot option contract, we evaluate the lot option primarily based upon the expected cash flows from the property that is the subject of the option. If we intend to abandon or walk-away from a lot option contract, we record a charge to earnings in the period such decision is made for the deposit amount and any related capitalized costs associated with the lot option contract. We recorded lot option abandonment charges during the three and nine months ended June 30, 2008 of $27.8 million and $67.9 million, respectively. We recorded lot option abandonment charges of $44.8 million and $89.1 million during the three and nine months ended June 30, 2007, respectively. Southeast and Other Homebuilding segments represented 41.3% and 20.4% of the nine-month fiscal 2008 abandonments, respectively, as we made the decision to abandon certain option contracts that no longer fit in our long-term strategic plan and related to our decision to exit our Colorado and Kentucky markets.

We expect to exercise substantially all of our option contracts with specific performance obligations and, subject to market conditions, most of our option contracts without specific performance obligations. Various factors, some of which are beyond our control, such as market conditions, weather conditions and the timing of the completion of development activities, will have a significant impact on the timing of option exercises or whether land options will be exercised.

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

We have determined that we are the primary beneficiary of certain of these option contracts. Our risk is generally limited to the option deposits that we pay, and creditors of the sellers generally have no recourse to the general credit of the Company. Although we do not have legal title to the optioned land, for those option contracts for which we are the primary beneficiary, we are required to consolidate the land under option at fair value. We believe that the exercise prices of our option contracts approximate their fair value. Our consolidated balance sheets at June 30, 2008 and September 30, 2007 reflect consolidated inventory not owned of $120.3 million and $237.4 million, respectively. We consolidated $37.1 million and $92.3 million of lot option agreements as consolidated inventory not owned pursuant to FIN 46R as of June 30, 2008 and September 30, 2007, respectively. In addition, as of June 30, 2008 and September 30, 2007, we recorded $83.3 million and $145.1 million, respectively, of land under the caption “consolidated inventory not owned” related to lot option agreements in accordance with SFAS 49, *Product Financing Arrangements*. Obligations related to consolidated inventory not owned totaled $83.0 million at June 30, 2008 and $177.9 million at September 30, 2007. The difference between the balances of consolidated inventory not owned and obligations related to consolidated inventory not owned represents cash deposits paid under the option agreements.

(4) Investments in Unconsolidated Joint Ventures

As of June 30, 2008 we participated in 19 land development joint ventures in which Beazer Homes had less than a controlling interest. Our joint ventures are typically entered into with developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture’s members and other third parties. Equity in loss of unconsolidated joint ventures was $(18.6) million and $(0.9) million for the three months ended June 30, 2008 and 2007 and $(75.1) million and $(7.0) million for the nine months ended June 30, 2008 and 2007, respectively. Equity in loss of unconsolidated joint ventures for three and nine months ended June 30, 2008 included the writedown of our investment in certain of our joint ventures, reflecting $18.5 million and $63.0 million, respectively, of impairments of inventory held within those ventures in accordance with APB 18, *The Equity Method of Accounting for Investments in Common Stock*. Joint venture impairments totaled $3.1 million for the nine months ended June 30, 2007. Our joint ventures typically obtain secured acquisition and development financing. The following table presents our investment in and guarantees under our unconsolidated joint ventures, as well as total equity and outstanding borrowings of these joint ventures as of June 30, 2008 and September 30, 2007:

(in thousands)	**June 30, 2008**	September 30, 2007
Beazer's investment in joint ventures	**$ 37,727**	$109,143
Total equity of joint ventures	**367,353**	523,597
Total outstanding borrowings of joint ventures	**640,191**	785,437
Beazer's portion of loan to maintenance guarantees	**5,970**	7,717
Beazer's portion of repayment guarantees	**39,080**	42,307

The decrease in our investment in these joint ventures from September 30, 2007 to June 30, 2008 relates primarily to $63.0 million of impairments of inventory held within the joint ventures. In connection with the exchange of our interest in two joint ventures with our joint venture partner during the second quarter of fiscal 2008, we also acquired that partner's interest in two separate joint ventures. In connection with the acquisition of one of these joint ventures, we assumed the joint venture's debt of approximately $22.7 million.

At June 30, 2008 and September 30, 2007, total borrowings outstanding above, include $374.4 million and $450.6 million related to one joint venture in which we are a 2.58% partner. During the three months ended March 31, 2008, the lender to this joint venture notified the joint venture partners that it believes the joint venture is in default of certain joint venture loan agreements as a result of certain of the Company's joint venture partners not complying with all aspects of the joint ventures' loan agreements. The lender has not taken any action against the joint venture or the Company at this time. The joint venture partners are currently in discussions with the lender. The Company's share of the debt is approximately $9.7 million at June 30, 2008 with a total repayment guarantee of $15.1 million. Our equity interest at June 30, 2008 was $8.4 million in this joint venture.

As of June 30, 2008, the debt related to two of our unconsolidated joint ventures has matured. Total borrowings outstanding related to these two joint ventures, in each of which we are a 50% partner, was $33.2 million. In one instance, the joint venture has received notice from the lender demanding payment in full. The Company and its joint venture partner are currently in discussions with the lender.

In some instances, Beazer Homes and our joint venture partners have provided varying levels of guarantees of debt of our unconsolidated joint ventures. At June 30, 2008, these guarantees included, for certain joint ventures, construction completion guarantees, loan to value maintenance agreements, repayment guarantees and environmental indemnities. See Note 9 for further discussion of these guarantees.

We also participated in one land development joint venture in which Beazer Homes obtained a controlling interest during the quarter ended March 31, 2008. This joint venture has been consolidated in our consolidated financial statements and, as such, is excluded from the information provided above.

(5) Interest

Our ability to capitalize all interest incurred during fiscal 2008 has been limited by the reduction in our inventory eligible for capitalization. The following table sets forth certain information regarding interest (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Capitalized interest in inventory, beginning of period	**$ 78,665**	$ 93,239	**$ 87,560**	$ 78,996
Interest incurred	**34,234**	37,394	**105,214**	112,102
Capitalized interest impaired	**(1,875)**	(3,314)	**(12,468)**	(9,140)
Interest disallowed for capitalization and included as other expense	**(15,873)**	—	**(35,866)**	—
Capitalized interest amortized to house construction and land sales expenses	**(26,693)**	(30,040)	**(75,982)**	(84,679)
Capitalized interest in inventory, end of period	**$ 68,458**	$ 97,279	**$ 68,458**	$ 97,279

(6) Earnings Per Share and Stockholders' Equity

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Loss from continuing operations	**$ (109,694)**	$ (118,930)	**$ (476,078)**	$ (258,389)
(Loss) income from discontinued operations, net of tax	**(148)**	183	**(1,893)**	2,548
Net loss	**$ (109,842)**	$ (118,747)	**$ (477,971)**	$ (255,841)
Weighted average number of shares:				
Basic	**38,551**	38,459	**38,546**	38,388
Diluted	**38,551**	38,459	**38,546**	38,388
Earnings (loss) per share:				
Basic loss per share from continuing operations	**$ (2.85)**	$ (3.09)	**$ (12.35)**	$ (6.73)
Basic earnings (loss) per share from discontinued operations	**$ —**	$ —	**$ (0.05)**	$ 0.07
Basic loss per share	**$ (2.85)**	$ (3.09)	**$ (12.40)**	$ (6.66)
Diluted loss per share from continuing operations	**$ (2.85)**	$ (3.09)	**$ (12.35)**	$ (6.73)
Diluted earnings (loss) per share from discontinued operations	**$ —**	$ —	**$ (0.05)**	$ 0.07
Diluted loss per share	**$ (2.85)**	$ (3.09)	**$ (12.40)**	$ (6.66)

In computing diluted loss per share for the three and nine months ended June 30, 2008 and June 30, 2007, all common stock equivalents were excluded from the computation of diluted loss per share as a result of their anti-dilutive effect.

(7) Borrowings

At June 30, 2008 and September 30, 2007 we had the following borrowings *(in thousands)*:

	Maturity Date	June 30, 2008	September 30, 2007
Revolving Credit Facility	July 2011	**$ —**	$ —
8 5/8% Senior Notes*	May 2011	**180,000**	180,000
8 3/8% Senior Notes*	April 2012	**340,000**	340,000
6 1/2% Senior Notes*	November 2013	**200,000**	200,000
6 7/8% Senior Notes*	July 2015	**350,000**	350,000
8 1/8% Senior Notes*	June 2016	**275,000**	275,000
4 5/8% Convertible Senior Notes*	June 2024	**180,000**	180,000
Junior subordinated notes	July 2036	**103,093**	103,093
Other secured notes payable	Various Dates	**50,388**	118,073
Model home financing obligations	Various Dates	**86,388**	114,116
Unamortized debt discounts		**(2,682)**	(3,033)
Total		**$ 1,762,187**	$ 1,857,249

* Collectively, the "Senior Notes"

Warehouse Line —Effective February 7, 2007, Beazer Mortgage amended its 364-day credit agreement (the "Warehouse Line") to extend its maturity date to February 8, 2008 and modify the maximum available borrowing capacity to $100 million, subject to compliance with the mortgage loan eligibility requirements as defined in the Warehouse Line. The Warehouse Line was secured by certain mortgage loan sales and related property. The Warehouse Line was entered into with a number of banks to fund the origination of residential mortgage loans. The maximum available borrowing capacity was subsequently reduced through amendments down to $17 million as of September 30, 2007. We had no borrowings outstanding under the Warehouse Line as of September 30, 2007. The Warehouse Line was not guaranteed by Beazer Homes USA, Inc. or any of its subsidiaries that are guarantors of the Senior Notes or Revolving Credit Facility. Effective November 14, 2007, we terminated the Warehouse Line, at which time there were no outstanding borrowings.

Revolving Credit Facility — In July 2007, we replaced our former credit facility with a new $500 million, four-year unsecured revolving credit facility (the "Revolving Credit Facility") with a group of banks, which matures in 2011. As a result of a series of amendments, as more fully described below, the Revolving Credit Facility is now a $400 million secured revolving credit facility. The Revolving Credit Facility has a $350 million sublimit for the issuance of standby letters of credit. We have the option to elect two types of loans under the Revolving Credit Facility which incur interest as applicable based on either the Alternative Base Rate or the Applicable Eurodollar Margin (both defined in the Revolving Credit Facility). The Revolving Credit Facility contains various operating and financial covenants. Substantially all of our significant subsidiaries are guarantors of the obligations under the Revolving Credit Facility (see Note 12).

We fulfill our short-term cash requirements with cash generated from our operations and funds available from our Revolving Credit Facility. There were no amounts outstanding under the Revolving Credit Facility at June 30, 2008 or September 30, 2007; however, we had $71.5 million and $133.3 million of letters of credit outstanding under the Revolving Credit Facility at June 30, 2008 and September 30, 2007, respectively.

On October 10, 2007, we entered into a waiver and amendment of our Revolving Credit Facility, waiving events of default through May 15, 2008 under the facility arising from our failure to file or deliver reports or other information we would be required to file with the SEC and our decision to restate our financial statements. Under this and the October 26, 2007 amendments, all obligations under the Revolving Credit Facility are secured by certain assets and our ability to borrow under this facility is subject to satisfaction of a secured borrowing base. We are permitted to grow the borrowing base by adding additional cash and/or real estate as collateral securing the Revolving Credit Facility. In addition, we obtained additional flexibility with respect to our financial covenants in the Revolving Credit Facility.

On May 13, 2008 and June 30, 2008, we obtained limited waivers which relaxed, through August 15, 2008, our minimum consolidated tangible net worth and maximum leverage ratio requirements under our Revolving Credit Facility. During the term of the limited waivers, the minimum consolidated tangible net worth could not be less than $700 million and the leverage ratio could not exceed 2.50 to 1.00.

On August 7, 2008, we entered into an amendment to our Revolving Credit Facility which changed the size, covenants and pricing for the facility. The size of the Revolving Credit Facility was reduced from $500 million to $400 million and is subject to further reductions to $250 million and $100 million if our consolidated tangible net worth (defined in the agreement as stockholders' equity less intangible assets) falls below $350 million and $250 million, respectively. The facility size is also subject to reduction to $250 million if our leverage ratio (defined in the agreement as the ratio of consolidated debt (net of average unrestricted cash in excess of $20 million) to consolidated tangible net worth) exceeds 5.0x (or 3.5x excluding the effect of any deferred tax valuation allowance). Further, the facility size is subject to reduction to $200 million if our interest coverage ratio for the quarter ending June 30, 2010 is less than 1.0x.

Availability under the facility continues to be subject to satisfaction of a secured borrowing base. The amendment provides that the book value of the assets securing the facility must exceed 3.0x the outstanding loans and letters of credit. Such coverage level increases to 4.5x and 6.0x to the extent the facility size is reduced to $250 million or $100 million, respectively. At June 30, 2008, we had available borrowing capacity of $90.7 million under the Revolving Credit Facility. At August 7, 2008, after giving effect to the amendment, we had no additional borrowing capacity available under the facility.

The interest margins under the Revolving Credit Facility were increased and are now based on the facility size. The Eurodollar Margin under the facility is now 4.5%. To the extent the facility size is reduced to $250 million or $100 million, the Eurodollar Margin will increase to 5.0% and 5.5%, respectively.

The financial maintenance covenants pertaining to the leverage ratio, interest coverage ratio and land inventory were eliminated as part of the August amendment. The remaining financial maintenance covenants are a minimum tangible net worth covenant (which requires us to have at least $100 million of consolidated tangible net worth) and a minimum liquidity covenant. The minimum liquidity covenant, which is applicable for so long as our interest coverage ratio is less than 1.75x, requires us to maintain either (a) $120 million of unrestricted cash and borrowing base availability or (b) a ratio (the "Adjusted Coverage Ratio") of adjusted cash flow from operations (defined in the agreement as cash flow from operations plus interest incurred) to interest incurred of at least 1.75x.

We believe that the elimination and relaxation of the financial maintenance covenants will permit us to comply with the amended covenants for the foreseeable future. However, further deteriorations in the housing market generally, or in our business particularly, could result in our having to seek additional amendments or waivers under the Revolving Credit Facility. To the extent that we default any of these covenants and we are unable to obtain waivers, the lenders under the Revolving Credit Facility could accelerate our obligations thereunder. Any such acceleration would result in an event of default under our Senior Notes described below and would permit the holders thereof to accelerate our obligations under the Senior Notes.

Senior Notes — The Senior Notes are unsecured 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 are jointly and severally liable for obligations under the Senior Notes and the Revolving Credit Facility. Each guarantor subsidiary is a 100% owned subsidiary of Beazer Homes.

The indentures under which the Senior Notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At June 30, 2008, under the most restrictive covenants of each indenture, no portion of our retained earnings was available for cash dividends or for share repurchases. Each indenture provides that, in the event of defined changes in control or if our consolidated tangible net worth falls below a specified level or in certain circumstances upon a sale of assets, we are required to offer to repurchase certain specified amounts of outstanding Senior Notes.

In March 2007, we voluntarily repurchased $10.0 million of our outstanding 8 5/8% Senior Notes and $10.0 million of our outstanding 8 3/8% Senior Notes on the open market. The aggregate purchase price was $20.6 million, or an average of 102.8% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest as of the purchase date. The repurchase of the notes resulted in a $562,500 pretax loss during the second quarter of fiscal 2007. On March 28, 2007, we repurchased an additional $10.0 million of our outstanding 8 5/8% Senior Notes which were cash settled on April 2, 2007 at a purchase price of $9.85 million, or an average of 98.5% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest as of the purchase date. The repurchase of the notes resulted in a $150,000 pre-tax gain during the third quarter of fiscal 2007. Gains/losses from notes repurchased are included in other (expense) income, net in the accompanying unaudited condensed consolidated statements of operations. Senior Notes purchased by the Company were cancelled.

On October 26, 2007, we obtained consents from holders of our Senior Notes to approve amendments of the indentures under which the Senior Notes were issued. These amendments restrict our ability to secure additional debt in excess of $700 million until certain conditions are met and enable us to invest up to $50 million in joint ventures. The consents also provided us with a waiver of any and all defaults under the Senior Notes that may have occurred on or prior to May 15, 2008 relating to filing or delivering annual and quarterly financial statements. Fees and expenses related to obtaining these consents totaled approximately $21 million. The recording of such fees and expenses has been deferred and will be amortized as an adjustment to interest expense in accordance with EITF 96-19 — "Debtor's Accounting for a Modification or Exchange of Debt Instruments."

Junior Subordinated Notes — On June 15, 2006, we completed a private placement of $103.1 million of unsecured junior subordinated notes which mature on July 30, 2036 and are redeemable at par on or after July 30, 2011 and pay a fixed rate of 7.987% for the first ten years ending July 30, 2016. Thereafter, the securities have a floating interest rate equal to three-month LIBOR plus 2.45% per annum, resetting quarterly. These notes were issued to Beazer Capital Trust I, which simultaneously issued, in a private transaction, trust preferred securities and common securities with an aggregate value of $103.1 million to fund its purchase of these notes. The transaction is treated as debt in accordance with GAAP. The obligations relating to these notes and the related securities are subordinated to the Revolving Credit Facility and the Senior Notes.

On April 30, 2008, we received a default notice from The Bank of New York Trust Company, National Association, the trustee under the indenture governing these junior subordinated notes. The notice alleged that we were in default under the indenture because we had not yet furnished certain required information (including our annual audited and quarterly unaudited financial statements). The notice further alleged that this default would become an event of default under the indenture if not remedied within 30 days. The Company subsequently delivered the information that was subject to the default notice thereby curing any alleged default that may have occurred.

Other Secured Notes Payable — We periodically acquire land through the issuance of notes payable. As of June 30, 2008 and September 30, 2007, we had outstanding notes payable of $50.4 million and $118.1 million, respectively, primarily related to land acquisitions. These notes payable expire at various times through 2012 and had fixed and variable rates ranging from 5.4% to 8.0% at June 30, 2008. These notes are secured by the real estate to which they relate. During the first nine months of fiscal 2008, we repaid $100.5 million of these secured notes payable. In connection with the exchange of our interest in two joint ventures to our joint venture partner, we also acquired that partner's interest in two separate joint ventures. In connection with the acquisition of one of these ventures, we assumed the joint venture's debt of approximately $22.7 million which is included in other secured notes payable as of June 30, 2008.

Model Home Financing Obligations - Due to a continuing interest in certain model home sale-leaseback transactions, we have recorded $86.4 million and $114.1 million of debt as of June 30, 2008 and September 30, 2007, respectively, related to these "financing" transactions in accordance with SFAS 98 (As amended), *Accounting for Leases.* These model home transactions incur interest at a variable rate of one-month LIBOR plus 450 basis points, 7.0% as of June 30, 2008, and expire at various times through 2015.

(8) Income Taxes

On October 1, 2007 the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109, *Accounting for Income Taxes*. FIN 48 defines the threshold for recognizing the benefits of tax return positions as well as guidance regarding the measurement of the resulting tax benefits. FIN 48 requires a company to recognize for financial statement purposes the impact of a tax position, if a tax return position is "more likely than not" to prevail (defined as a likelihood of more than fifty percent of being sustained upon audit, based on the technical merits of the tax position). FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect of the adoption of FIN 48 was recorded as a $10.1 million reduction to retained earnings as of October 1, 2007. The total amount of gross unrecognized tax benefits as of October 1, 2007 was $72.5 million (which excludes interest, penalties, and the tax benefit relating to the deductibility of interest and state income tax). The adoption of FIN 48 also increased our gross deferred tax assets by approximately $65 million. The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was $26.5 million, as of October 1, 2007.

Since the adoption of FIN 48 on October 1, 2007, there have been no material changes to the components of the Company's total unrecognized tax benefit that, if recognized, would affect the Company's effective tax rate. It is reasonably possible that, within the next 12 months, total unrecognized tax benefits may decrease as a result of the potential resolution with the IRS relating to issues stemming from fiscal year 2003 and 2004 federal income tax returns, in addition to the resolution of various state income tax audits and/or appeals. The change that could occur within the next 12 months, however, cannot be estimated at this time. The statute of limitations for the Company's major tax jurisdictions remains open for examination for fiscal years 2003 through 2007.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the financial statements as a component of the income tax provision, consistent with the Company's historical accounting policy. After the adoption of FIN 48, the total amount of gross accrued interest and penalties was $19.3 million. The Company recorded an additional $2.3 million and $4.1 million of gross interest and penalties during the three and nine months ended June 30, 2008, respectively, in accordance with FIN 48, resulting in a $23.4 million accrued balance at June 30, 2008. The Company's liability for unrecognized tax benefits combined with accrued interest and penalties is reflected as a component of other liabilities.

Primarily as a result of recording significant inventory impairment charges during fiscal 2007 and in the nine months ended June 30, 2008, the balance of our deferred tax assets increased substantially. The net deferred tax asset of $416.4 million as of June 30, 2008 assumes that the value of these assets will be realized. In assessing the recoverability of deferred tax assets, we analyze all evidence, both positive and negative. As of June 30, 2008, the positive evidence we considered included (1) the cyclical nature of the homebuilding industry; (2) our long history of profitability; (3) the determination that we are not in a cumulative loss position; (4) our experience that no NOLs have expired unutilized; (5) our ability to carryback NOLs; and (6) the steps we are taking to improve our future profitability. As of June 30, 2008, we considered the negative evidence including (1) our fiscal year-to-date 2008 loss and the expectation of losses in the remainder of fiscal 2008 and (2) the uncertainty as to the timing of when the homebuilding industry will rebound. After consideration of this evidence, we believe that as of June 30, 2008, it is more likely than not that our net deferred tax assets are recoverable. If market conditions within the homebuilding industry do not improve or continue to worsen and/or our assessment of the positive and negative evidence changes, it may affect our ability to fully realize the value of these assets, which may require a valuation adjustment and additional income tax expense in our consolidated statements of operations, and such expense could be material.

Our income tax receivable was $144.5 million and $64.0 million as of June 30, 2008 and September 30, 2007, respectively. This receivable relates primarily to the carryback of losses incurred in fiscal 2007 and the nine months ended June 30, 2008 to open tax years in which we previously paid significant income taxes. During the nine months ended June 30, 2008, we received $56.6 million of federal income tax refunds related to open tax years in which we previously paid taxes.

(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 that include claims related to moisture intrusion.

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 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 element warranty with single-family homes and townhomes in certain states.

Since we subcontract our homebuilding work to subcontractors who generally provide us with an indemnity and a certificate of insurance prior to receiving payments for their work, many claims relating to workmanship and materials are the primary responsibility of the subcontractors.

Our warranty reserves at June 30, 2008 and 2007 include accruals for Trinity Homes LLC ("Trinity") moisture intrusion issues discussed more fully below. Warranty reserves are included in other liabilities and the provision for warranty accruals is included in home construction and land sales expenses in the unaudited condensed consolidated financial statements. We record reserves covering anticipated warranty expense for each home closed. Management reviews the adequacy of warranty reserves each reporting period based on historical experience and management's estimate of the costs to remediate the claims and adjusts these provisions accordingly. Our review includes a quarterly analysis of the historical data and trends in warranty expense by operating segment. An analysis by operating segment 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 contemplated in our historical data and trends. As a result of our analyses, we adjust our estimated warranty liabilities. While we believe that our warranty reserves are adequate, historical data and trends may not accurately predict actual warranty costs, or future developments could lead to a significant change in the reserve. Our warranty reserves, which include amounts related to the Trinity moisture intrusion issues discussed below, are as follows (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Balance at beginning of period	**$47,103**	$ 87,467	**$ 57,053**	$ 99,030
Provisions (reductions) (1)	**631**	(4,163)	**6,863**	6,495
Payments	**(5,558)**	(10,124)	**(21,740)**	(32,345)
Balance at end of period	**$42,176**	$ 73,180	**$ 42,176**	$ 73,180

(1) Upon review of the adequacy of the warranty reserves, it was determined that the warranty reserve as of June 30, 2008 and 2007, respectively, contained reserves in excess of anticipated claims related to the Trinity moisture intrusion issues. As a result, the provision for warranty reserves for the three and nine months ended June 30, 2007 was reduced by $6.0 million and $12.0 million, respectively, and the provision for warranty reserves for the three and nine months ended June 30, 2008 was reduced by $0.9 million and $1.9 million, respectively.

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

As of June 30, 2008, there were four pending lawsuits related to such complaints received by Trinity. All suits are by individual homeowners, and the cost to resolve these matters is not expected to be material, either individually or in the aggregate. Additionally, a class action suit was filed in the State of Indiana in August 2003 against Trinity Homes LLC. The parties in the class action reached a settlement agreement which was approved by the court on October 20, 2004.

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

Under the settlement, subject to Trinity's timely performance of the specified assessments and remediation activities for homeowners who file claims, each homeowner releases Trinity, Beazer Homes Investment, LLC and other affiliated companies, including Beazer Homes, from the claims asserted in the class action lawsuit, claims arising out of external moisture intrusion, claims of improper brick installation, including property damage claims, loss or diminution of property value claims, and most personal injury claims, among others. No appeals of the court's order approving the settlement were received by the court within the timeframe established by the court. The Company sent out the claims notices on December 17, 2004, and the class members had until February 15, 2005 to file claims. A total of 1,310 valid claims were filed (of the 2,161 total class members), of which 613 complaints had been received prior to our receipt of the claim notices. Class members who did not file a claim by February 15, 2005 are no longer able to file a class action claim under the settlement or pursue an individual claim against Trinity. As of June 30, 2008, we have completed remediation of 1,755 homes related to 1,853 total Trinity claims.

Our warranty reserves at June 30, 2008 and September 30, 2007 include accruals for our estimated costs to assess and remediate all homes for which Trinity had received complaints related to moisture intrusion. Warranty reserves also include accruals for class action claims received, pursuant to the settlement discussed above, from class members who had not previously contacted Trinity with complaints.

The cost to assess and remediate a home depends on the extent of moisture damage, if any, that the home has incurred. Homes for which we receive complaints are classified into one of three categories: 1) homes with no moisture damage, 2) homes with isolated moisture damage or 3) homes with extensive moisture damage.

As of June 30, 2008 and September 30, 2007, we accrued for our estimated cost to remediate homes that we had assessed and assigned to one of the above categories, as well as our estimated cost to remediate those homes for which an assessment had not yet been performed. For purposes of our accrual, we have historically assigned homes not yet assessed to categories based on our expectations about the extent of damage and trends observed from the results of assessments performed to date. In addition, our cost estimation process considers the subdivision of the claimant along with the categorization discussed above. Once a home is categorized, detailed budgets are used as the basis to prepare our estimated costs to remediate such home.

During fiscal 2004, we initiated a program under which we offered to repurchase a limited number of homes from specific homeowners. The program was concluded during the first quarter of fiscal 2005. We have repurchased a total of 54 homes under the program. During the nine months ended June 30, 2008, the Company sold six of the repurchased homes, bringing the total homes sold to date to 43. The remaining 11 homes are included in owned inventory at a net realizable value totaling $2.6 million.

The following accruals at June 30, 2008 represent our best estimates of the costs to resolve all asserted complaints associated with Trinity moisture intrusion issues. We regularly review our estimate of these costs. Since the commencement of the remediation program, our remediation cost per home has continued to decrease as homes requiring more extensive repairs were addressed first and our internal processes and procedures, including enhanced contractor bid negotiations and inspections, improved as experience gained in addressing these issues has yielded meaningful benefits on a per home basis. As a result, we adjust our estimate of warranty liabilities for each new claim and our estimate of the remaining expenditures to remediate the remaining homes in the class. Changes in the accrual for Trinity moisture intrusion issues during the period were as follows (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Balance at beginning of period	**$ 5,909**	$ 36,975	**$ 12,116**	$ 47,704
Reductions	**(936)**	(6,000)	**(1,906)**	(12,000)
Payments	**(778)**	(3,309)	**(6,015)**	(8,038)
Balance at end of period	**$ 4,195**	$ 27,666	**$ 4,195**	$ 27,666

Actual costs to assess and remediate homes in each category and subdivision, the extent of damage to homes not yet assessed, estimates of costs to sell the remaining repurchased homes, and losses on such sales could differ from our estimates. As a result, the costs to resolve existing complaints could differ from our recorded accruals and have a material adverse effect on our earnings in the periods in which the matters are resolved. Additionally, it is possible that we will incur additional losses related to these matters, including additional losses related to homes for which we have not yet received complaints.

Guarantees

Construction Completion Guarantees

We and our joint venture partners are generally obligated to the project lenders to complete land development improvements and the construction of planned homes if the joint venture does not perform the required development. Provided the joint venture and the partners are not in default under any loan provisions, the project lenders would be obligated to fund these improvements through any financing commitments available under the applicable loans.

Loan to Value Maintenance Agreements

We and our joint venture partners generally provide credit enhancements to acquisition, development and construction borrowings in the form of loan to value maintenance agreements, which can limit the amount of additional funding provided by the lenders (although not generally requiring repayment of the borrowings) to the extent such borrowings plus construction completion costs exceed a specified percentage of the value of the property securing the borrowings. During the nine months ended June 30, 2008 and 2007, we were not required to make any payments on the loan to value maintenance guarantees. At June 30, 2008 and September 30, 2007 respectively, we had total loan to value maintenance guarantees of $6.0 million and $7.7 million related to our unconsolidated joint venture borrowings. This amount represents the Company’s maximum exposure to loss from such loan to value maintenance guarantees without regard to the underlying value of the collateral and any defenses that may be available to us against any attempted enforcement of such guarantees.

Repayment Guarantees

We and our joint venture partners have repayment guarantees related to certain joint venture’s borrowings. These repayment guarantees require the repayment of all or a portion of the debt of the unconsolidated joint venture in the event the joint venture defaults on its obligations under the borrowing or files for bankruptcy. During the nine months ended June 30, 2008, we were not required to make payments related to any portion of the repayment guarantees. At June 30, 2008 and September 30, 2007 respectively, we had repayment guarantees of $39.1 million and $42.3 million related to the borrowings on these applicable unconsolidated joint ventures, some of which are only triggered upon bankruptcy of the joint venture.

Environmental Indemnities

Additionally, we and our joint venture partners generally provide unsecured environmental indemnities to 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 quarters ended June 30, 2008 and 2007, we were not required to make any payments related to environmental indemnities.

In general, we have not recorded a liability for the non-contingent aspect of any of these guarantees as such amounts are not material. In assessing the need to record a liability for the contingent aspect of these guarantees in accordance with FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, 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 joint ventures. In addition, we monitor the fair value of the collateral of these unconsolidated joint ventures to ensure that the related borrowings do not exceed the specified percentage of the value of the property securing the borrowings. To date, we have not incurred any obligations related to the aforementioned guarantees. Based on these considerations, we have determined that it is remote that we will have to perform under the contingent aspects of these guarantees and, as a result, have not recorded a liability for the contingent aspects of these guarantees. To the extent the recording of a liability related to such guarantees would be required, the recognition of such liability would result in an increase to the carrying value of our investment in the associated joint venture.

Other Matters

In November 2003, Beazer Homes received a request for information from the EPA pursuant to Section 308 of the Clean Water Act seeking information concerning the nature and extent of storm water discharge practices relating to certain of our projects completed or under construction. The EPA has since requested information on additional projects and has conducted site inspections at a number of locations. In certain instances, the EPA or the equivalent state agency has issued Administrative Orders identifying alleged instances of noncompliance and requiring corrective action to address the alleged deficiencies in storm water management practices. As of June 30, 2008, no monetary penalties had been imposed in connection with such Administrative Orders. The EPA has reserved the right to impose monetary penalties at a later date, the amount of which, if any, cannot currently be estimated. Beazer Homes has taken action to comply with the requirements of each of the Administrative Orders and is working to otherwise maintain compliance with the requirements of the Clean Water Act.

In 2006, we received two Administrative Orders issued by the New Jersey Department of Environmental Protection. The Orders allege certain violations of wetlands disturbance permits. The two Orders assess proposed fines of $630,000 and $678,000, respectively. We have met with the Department to discuss their concerns on the two affected projects and have requested hearings on both matters. We believe that we have significant defenses to the alleged violations and intend to contest the agency's findings and the proposed fines. We are currently pursuing settlement discussions with the Department. A hearing before the judge has been postponed pending settlement discussions.

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 related mold claims 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 $18.5 million and $17.6 million in other liabilities related to these matters as of June 30, 2008 and September 30, 2007, respectively.

We had performance bonds and outstanding letters of credit of approximately $447.7 million and $60.8 million, respectively, at June 30, 2008 related principally to our obligations to local governments to construct roads and other improvements in various developments in addition to the letters of credit of approximately $13.3 million relating to our land option contracts discussed in Note 3. We do not believe that any such letters of credit or bonds are likely to be drawn upon.

Investigations and Litigation

We and our subsidiary, Beazer Mortgage Corporation, are under criminal and civil investigations by the United States Attorney's office in the Western District of North Carolina, the SEC and other federal and state agencies. We and certain of our current and former employees, officers and directors have been named as defendants in securities class action lawsuits, lawsuits regarding ERISA claims, and derivative shareholder actions. In addition, 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 governmental investigations or the lawsuits or the effect that any adverse findings in the investigations or adverse determinations in the lawsuits may have on us. While we are cooperating with the governmental investigations, developments, including the expansion of the scope of the investigations, could negatively impact us and could divert the efforts and attention of our management team from the operation of our business, and/or result in further departures of executives or other employees. An unfavorable determination resulting from any governmental investigation could result in the filing of criminal charges, the payment of substantial criminal or civil fines, the imposition of injunctions on our conduct or the imposition of other penalties or consequences, including the Company adjusting, curtailing or terminating the conduct of certain of our business operations. Any of these outcomes could have a material adverse effect on our business, financial condition, results of operations and prospects. An unfavorable determination in any of the 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 investigations and 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. See the discussion below for details related to these investigations and related litigation.

Investigations

United States Attorney, State and Federal Agency Investigations. Beazer Homes and its subsidiary, Beazer Mortgage Corporation, are under criminal and civil investigations by the United States Attorney's Office in the Western District of North Carolina and other state and federal agencies concerning the matters that were the subject of the independent investigation by the Audit Committee of the Beazer Homes' Board of Directors (the "Investigation") as more fully described Notes 14 and 17 to the consolidated financial statements included in Item 8 of our 2007 Form 10-K. The Company is fully cooperating with these investigations.

Securities and Exchange Commission Investigation. On July 20, 2007, Beazer Homes received from the SEC a formal order of private investigation to determine whether Beazer Homes and/or other persons or entities involved with Beazer Homes have violated federal securities laws, including, among others, the anti-fraud, books and records, internal accounting controls, periodic reporting and certification provisions thereof. The SEC had previously initiated an informal investigation in this matter in May 2007. The Company is fully cooperating with the SEC investigation.

Independent Investigation. The Audit Committee of the Beazer Homes Board of Directors has completed the Investigation of Beazer Homes' mortgage origination business, including, among other things, investigating certain evidence that the Company's subsidiary, Beazer Mortgage Corporation, violated U.S. Department of Housing and Urban Development ("HUD") regulations and may have violated certain other laws and regulations in connection with certain of its mortgage origination activities. The results of the Investigation are fully described in Notes 14 and 17 to the consolidated financial statements included in Item 8 of our 2007 Form 10-K.

Mortgage Origination Issues

The Investigation found evidence that employees of the Company's Beazer Mortgage Corporation subsidiary violated certain federal and/or state regulations, including U.S. Department of Housing and Urban Development ("HUD") regulations. Areas of concern uncovered by the Investigation include: down payment assistance programs; the charging of discount points; the closure of certain HUD Licenses; closing accommodations; and the payment of a number of realtor bonuses and decorator allowances in certain Federal Housing Administration ("FHA") insured loans and non-FHA conventional loans originated by Beazer Mortgage dating back to at least 2000. The Investigation also uncovered limited improper practices in relation to the issuance of a number of non-FHA Stated Income Loans. We reviewed the loan documents and supporting documentations and determined that the assets were effectively isolated from the seller and its creditors (even in the event of bankruptcy). Based on that information, management continues to believe that sale accounting at the time of the transfer of the loans to third parties was appropriate.

We intend to attempt to negotiate a settlement with prosecutors and regulatory authorities that would allow us to quantify our exposure associated with reimbursement of losses and payment of regulatory and/or criminal fines, if they are imposed. See Notes 14 and 17 to the consolidated financial statements included in Item 8 of our 2007 Form 10-K for additional discussion of this matter. At this time, we believe that although it is probable that a liability exists related to this exposure, it is not reasonably estimable and would be inappropriate to record a liability as of June 30, 2008.

Effective February 1, 2008, we exited the mortgage origination business and entered into an exclusive preferred lender arrangement with a national third-party mortgage provider. This exclusive arrangement will continue to offer our homebuyers the option of a simplified financing process while enabling us to focus on our core competency of homebuilding.

Litigation

Securities Class Action. Beazer Homes and certain of our current and former officers (the "Individual Defendants"), as well as our Independent Registered Accounting Firm, are named as defendants in putative class action securities litigation pending in the United

States District Court for the Northern District of Georgia. Three separate complaints were initially filed between March 29 and May 21, 2007. The cases were subsequently consolidated by the court and the court appointed Glickenhaus & Co. and Carpenters Pension Trust Fund for Northern California as lead plaintiffs. On June 27, 2008, lead plaintiffs filed an Amended and Consolidated Class Action Complaint for Violation of the Federal Securities Laws ("Consolidated Complaint"), which purports to assert claims on behalf of a class of persons and entities that purchased or acquired the securities of Beazer Homes during the period January 27, 2005 through May 12, 2008. The Consolidated Complaint asserts a claim against the defendants under Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder for allegedly making materially false and misleading statements regarding our business and prospects, including, among other things, alleged misrepresentations and omissions related to alleged improper lending practices in our mortgage origination business, alleged misrepresentations and omissions related to improper revenue recognition and other accounting improprieties and alleged misrepresentations and omissions concerning our land investments and inventory. The Consolidated Complaint also asserts claims against the Individual Defendants under Sections 20(a) and 20A of the Exchange Act. Lead plaintiffs seek a determination that the action is properly maintained as a class action, an unspecified amount of compensatory damages and costs and expenses, including attorneys' fees. The Company intends to vigorously defend against these actions.

Derivative Shareholder Actions. Certain of Beazer Homes' current and former officers and directors were named as defendants in a derivative shareholder suit filed on April 16, 2007 in the United States District Court for the Northern District of Georgia. The complaint also names Beazer Homes as a nominal defendant. The complaint, purportedly on behalf of Beazer Homes, alleges that the defendants (i) violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder; (ii) breached their fiduciary duties and misappropriated information; (iii) abused their control; (iv) wasted corporate assets; and (v) were unjustly enriched. Plaintiffs seek an unspecified amount of compensatory damages against the individual defendants and in favor of Beazer Homes. An additional lawsuit was filed subsequently on August 29, 2007 in the United States District Court for the Northern District of Georgia asserting similar factual allegations. A motion to consolidate the two Georgia derivative actions is pending, and the plaintiffs are expected to designate the operative complaint within five days after the court consolidates the actions. Additionally, on September 12, 2007, another derivative suit was filed in Delaware Chancery Court, and the plaintiffs filed an amended complaint in that Delaware action on October 26, 2007. The Delaware complaint raises similar factual and legal claims as those asserted by the plaintiffs in the Georgia derivative actions. The defendants have moved to dismiss the Delaware action, or in the alternative, to stay the case pending resolution of the derivative litigation pending in Georgia. The defendants intend to vigorously defend against these actions.

ERISA Class Actions. On April 30, 2007, a putative class action complaint was filed on behalf of a purported class consisting of present and former participants and beneficiaries of the Beazer Homes USA, Inc. 401(k) Plan. The complaint was filed in the United States District Court for the Northern District of Georgia. The complaint alleges breach of fiduciary duties, including those set forth in the Employee Retirement Income Security Act ("ERISA"), as a result of the investment of retirement monies held by the 401(k) Plan in common stock of Beazer Homes at a time when participants were allegedly not provided timely, accurate and complete information concerning Beazer Homes. Four additional lawsuits were filed subsequently on May 11, 2007, May 14, 2007, June 15, 2007 and July 27, 2007 in the United States District Court for the Northern District of Georgia making similar allegations. The court consolidated these five lawsuits, and on June 27, 2008, the plaintiffs filed a consolidated amended complaint. The consolidated amended complaint names as defendants Beazer Homes, our chief executive officer, certain current and former directors of the Company, including the members of the Compensation Committee of the Board of Directors, and certain employees of the Company who acted as members of the Company's 401(k) Committee. The Company intends to vigorously defend against these actions.

Homeowners Class Action Lawsuits and Multi-Plaintiff Lawsuit. Beazer Homes' subsidiaries, Beazer Homes Corp. and Beazer Mortgage Corporation, were named as defendants in a putative class action lawsuit filed on March 23, 2007 in the General Court of Justice, Superior Court Division, County of Mecklenburg, North Carolina. The case was removed to the U.S. District Court for the Western District of North Carolina, Charlotte Division. The complaint was filed as a putative class action. The purported class is defined as North Carolina residents who purchased homes in subdivisions in North Carolina containing homes constructed by the defendants where the foreclosure rate is allegedly significantly higher than the state-wide average. The complaint alleged that the defendants utilized unfair trade practices to allow low-income purchasers to qualify for loans they allegedly could not afford, resulting in foreclosures that allegedly diminished plaintiffs' property values. Plaintiffs sought an unspecified amount of compensatory damages and also requested that any damage award be trebled. On April 25, 2008, the District Court granted the defendants' motion to dismiss and dismissed all causes of action with prejudice. Plaintiffs appealed the dismissal to the United States Court of Appeals for the Fourth Circuit. On July 21, 2008, Plaintiffs filed a consent motion to dismiss the appeal with prejudice, and the Court of Appeals entered an order of dismissal and mandate the same day. This case is now concluded.

A second putative homeowner class action lawsuit was filed on April 23, 2007 in the United States District Court for the District of South Carolina, Columbia Division. The complaint alleged that Beazer Homes Corp. and Beazer Mortgage Corporation illegally facilitated the financing of the purchase of homes sold to low-income purchasers, who allegedly would not have otherwise qualified for the loans. Certain of the plaintiffs also alleged that the defendants' practices resulted in foreclosures that allegedly diminished plaintiffs' property values. The complaint demanded an unspecified amount of damages, including damages for alleged violations of federal RICO statutes and punitive damages. The Company filed a motion to dismiss and the District Court dismissed all causes of action with prejudice on September 10, 2007. The plaintiffs subsequently filed a motion for reconsideration which the District Court denied. The plaintiffs did not file a notice of appeal, and this case is now concluded.

An additional putative class action was filed on April 8, 2008 in the United States District Court for the Middle District of North Carolina, Salisbury Division, against Beazer Homes, U.S.A., Inc., Beazer Homes Corp. and Beazer Mortgage Corporation. The Complaint alleges that Beazer violated the Real Estate Settlement Practices Act ("RESPA") and North Carolina Gen. Stat. § 75-1.1 by (1) improperly requiring homebuyers to use Beazer-owned mortgage and settlement services as part of a down payment assistance program, and (2) illegally increasing the cost of homes and settlement services sold by Beazer Homes Corp. The purported class consists of all residents of North Carolina who purchased a home from Beazer, using mortgage financing provided by and through Beazer that included seller-funded down payment assistance, between January 1, 2000 and October 11, 2007. The Complaint demands an unspecified amount of damages, equitable relief, treble damages, attorneys' fees and litigation expenses. The defendants moved to dismiss the Complaint on June 4, 2008. On July 25, 2008, in lieu of a response to the motion to dismiss, plaintiff filed an amended complaint. The Company has not yet filed a responsive pleading or motion, but intends to vigorously defend this action.

Beazer Homes Corp. and Beazer Mortgage Corporation are also named defendants in a lawsuit filed on July 3, 2007, in the General Court of Justice, Superior Court Division, County of Mecklenburg, North Carolina. The case was removed to the U.S. District Court for the Western District of North Carolina, Charlotte Division, but remanded on April 23, 2008 to the General Court of Justice, Superior Court Division, County of Mecklenburg, North Carolina. The complaint was filed on behalf of ten individual homeowners who purchased homes from Beazer in Mecklenburg County. The complaint alleges certain deceptive conduct by the defendants and brings various claims under North Carolina statutory and common law, including a claim for punitive damages. On June 27, 2008 a second amended complaint, which added two plaintiffs to the lawsuit, was filed. The case has been designated as "exceptional" pursuant to Rule 2.1 of the General Rules of Practice of the North Carolina Superior and District Courts and has been assigned to the docket of the North Carolina Business Court. The Company filed a motion to dismiss on July 30, 2008 and intends to vigorously defend against this action.

Beazer Homes' subsidiaries Beazer Homes Holdings Corp. and Beazer Mortgage Corporation were named as defendants in a putative class action lawsuit originally filed on March 12, 2008, in the Superior Court of the State of California, County of Placer. The lawsuit was amended on June 2, 2008 and named as defendants Beazer Homes Holdings Corp., Beazer Homes USA, Inc., and Security Title Insurance Company. The purported class is defined as all persons who purchased a home from the defendants or their affiliates, with the assistance of a federally related mortgage loan, from March 25, 1999 to the present where Security Title Insurance Company received any money as a reinsurer of the transaction. The complaint alleges that the defendants violated RESPA and asserts claims under a number of state statutes alleging that defendants engaged in a uniform and systematic practice of giving and/or accepting fees and kickbacks to affiliated businesses including affiliated and/or recommended title insurance companies. The complaint also alleges a number of common law claims. Plaintiffs seek an unspecified amount of damages under RESPA, unspecified statutory, compensatory and punitive damages and injunctive and declaratory relief, as well as attorneys' fees and costs. Defendants removed the action to federal court. The Company intends to vigorously defend against the action.

For each of the above actions, no accrual has been recorded as of June 30, 2008 or September 30, 2007, as losses, if any, related to these matters are not both probable and estimable.

Bond Indenture Trustee Litigation. On September 10, 2007, we filed an Amended Complaint For Declaratory Judgment and Injunctive Relief in an action pending in the United States District Court in Atlanta, Georgia against the trustees under the indentures governing our outstanding senior and convertible senior notes. We sought, among other relief, a declaration from the court against the trustees that the delay in filing with the SEC our Form 10-Q for the quarterly period ended June 30, 2007 did not constitute a default under the applicable indentures and that the delay would not give rise to any right of acceleration on the part of the holders of the senior and convertible senior notes. On October 29, 2007, we notified the court and the trustees that we had successfully concluded a consent solicitation concerning the notes at issue. The consents provided us with a waiver of any and all defaults under the indentures at issue that may have occurred or may occur prior to May 15, 2008, due to our failure to file or deliver reports or other information we would be required to file with the SEC. On May 15, 2008, we completed the filing of all our previously past due periodic reports with the SEC. We thereafter delivered copies of all such reports to the trustees, pursuant to the applicable indentures. On June 25, 2008, the trustees and we filed a stipulation dismissing the litigation without prejudice. This case is now concluded.

(10) Stock Repurchase Program

On November 18, 2005, as part of an acceleration of Beazer Homes' comprehensive plan to enhance stockholder value, our Board of Directors authorized an increase in our stock repurchase plan to ten million shares of our common stock. Shares may be purchased for cash in the open market, on the NYSE or in privately negotiated transactions. We did not repurchase any shares in the open market during the three or nine months ended June 30, 2008 and 2007. At June 30, 2008, we are authorized to purchase approximately 5.4 million additional shares pursuant to the plan. We have currently suspended our repurchase program and any resumption of such program will be at the discretion of the Board of Directors and is unlikely in the foreseeable future.

(11) Segment Information

As defined in SFAS 131, "*Disclosures About Segments of an Enterprise and Related Information*", we have 31 homebuilding operating segments operating in 21 states and one financial services segment. Revenues in our homebuilding segments are derived from the sale of homes which we construct and from land and lot sales. Revenues in our financial services segment are derived primarily from mortgage originations provided predominantly to customers of our homebuilding operations. We have aggregated our homebuilding segments into four reportable segments, described below, for our homebuilding operations and one reportable segment for our financial services operations. The segments reported have been determined to have similar economic characteristics including similar historical and expected future operating performance, employment trends, land acquisition and land constraints, and municipality behavior and meet the other aggregation criteria in SFAS 131. The reportable homebuilding segments, and all other homebuilding operations not required to be reported separately, include operations conducting business in the following states:

West: Arizona, California, Nevada and New Mexico

Mid-Atlantic: Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia and West Virginia

Florida

Southeast: Georgia, North Carolina, South Carolina and Nashville, Tennessee

Other Homebuilding: Colorado, Indiana, Kentucky, Ohio, Texas and Memphis, Tennessee

During fiscal 2008, we have decided to exit certain homebuilding markets that do not meet our investment strategies. These markets include Colorado, Kentucky, Ohio, Charlotte, North Carolina and Fresno, California.

Management's evaluation of segment performance is based on segment operating income, which for our homebuilding segments is defined as homebuilding and land sale revenues less the cost of home construction, impairments, if any, land development and land sales, depreciation and amortization and certain selling, general and administrative expenses which are incurred by or allocated to our homebuilding segments. Segment operating income for our Financial Services segment is defined as revenues less costs associated with our mortgage operations and certain selling, general and administrative expenses incurred by or allocated to the Financial Services segment. The accounting policies of our segments are those described in Note 1 herein and the notes to the consolidated financial statements included in Item 8 of our 2007 Form 10-K. The following information is in thousands:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Revenue				
West	**$ 111,557**	$ 248,830	**$ 344,942**	$ 814,792
Mid-Atlantic	**108,294**	113,840	**284,780**	309,176
Florida	**32,751**	72,470	**127,205**	270,124
Southeast	**77,204**	152,121	**246,013**	491,359
Other homebuilding	**124,892**	164,417	**355,770**	482,128
Financial Services	**880**	1,778	**2,939**	5,469
Consolidated total	**$ 455,578**	$ 753,456	**$ 1,361,649**	$ 2,373,048

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Operating (loss) income (a)				
West	**$ (41,402)**	$ (62,394)	**$ (158,245)**	$ (122,582)
Mid-Atlantic	**5,061**	(11,852)	**(50,024)**	(37,205)
Florida	**(10,801)**	(20,166)	**(44,830)**	(42,560)
Southeast	**(12,313)**	(1,917)	**(75,784)**	17,788
Other homebuilding	**(17,582)**	(14,580)	**(75,139)**	(52,429)
Financial Services	**202**	1,188	**1,012**	3,144
Segment operating loss	**(76,835)**	(109,721)	**(403,010)**	(233,844)
Corporate and unallocated (b)	**(64,509)**	(72,408)	**(226,863)**	(170,564)
Total operating loss	**(141,344)**	(182,129)	**(629,873)**	(404,408)
Equity in loss of unconsolidated joint ventures	**(18,568)**	(939)	**(75,069)**	(7,012)
Other (expense) income, net	**(13,489)**	2,664	**(20,907)**	7,870
Loss before income taxes	**$ (173,401)**	$ (180,404)	**$ (725,849)**	$ (403,550)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Depreciation and amortization				
West	**$ 1,705**	$ 3,037	**$ 4,778**	$ 8,364
Mid-Atlantic	**1,169**	940	**2,829**	2,637
Florida	**289**	427	**1,183**	1,320
Southeast	**524**	859	**2,189**	2,862
Other homebuilding	**1,532**	1,544	**4,739**	4,503
Financial Services	**8**	(11)	**22**	24
Segment total	**5,227**	6,796	**15,740**	19,710
Corporate and unallocated (b)	**819**	977	**2,510**	3,128
Consolidated total	**$ 6,046**	$ 7,773	**$ 18,250**	$ 22,838

	June 30, 2008	September 30, 2007
Assets (c)		
West	**$ 716,876**	$ 940,161
Mid-Atlantic	**480,146**	546,182
Florida	**125,273**	242,733
Southeast	**308,144**	403,472
Other homebuilding	**296,161**	469,520
Financial Services	**37,258**	36,035
Corporate and unallocated (b)	**1,182,199**	1,279,017
Discontinued operations	**314**	12,901
Consolidated total	**$ 3,146,371**	$ 3,930,021

(a) Operating loss includes charges related to the abandonment of lot option agreements totaling $27.8 million and $44.8 million for the three months ended June 30, 2008 and 2007 and $67.9 million and $89.1 million for the nine months ended June 30, 2008 and 2007, respectively. Operating loss also includes inventory impairment charges in the amounts of $67.7 million and $109.4 million for the three months ended June 30, 2008 and 2007 and $383.9 million and $310.8 million for the nine months ended June 30, 2008 and 2007, respectively, which have been recorded in the segments to which the inventory relates (see Note 3).

(b) Corporate and unallocated includes amortization of capitalized interest and numerous shared services functions that benefit all segments, the costs of which are not allocated to the operating segments reported above including information technology, national sourcing and purchasing, treasury, corporate finance, legal, branding and other national marketing costs. In addition, for the three and nine months ended June 30, 2008, corporate and unallocated also includes $11.0 million and $28.2 million, respectively, of investigation and related expenses. The three and nine months ended June 30, 2007 included $0.9 million of investigation and related expenses.

(c) Segment assets as of both June 30, 2008 and September 30, 2007 include goodwill assigned from prior acquisitions. See Note 1 for goodwill by segment as of June 30, 2008 and September 30, 2007.

(d) Primarily consists of cash and cash equivalents, consolidated inventory not owned, deferred taxes, capitalized interest and other corporate items that are not allocated to the segments.

(12) Supplemental Guarantor Information

As discussed in Note 7, our obligation 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. The guarantees are full and unconditional and the guarantor subsidiaries are 100% owned by Beazer Homes. We have determined that separate, full financial statements of the guarantors would not be material to investors and, accordingly, supplemental financial information for the guarantors is presented. In June 2008, Beazer Mortgage Corp. became a guarantor of the Revolving Credit Facility and certain of the Company’s Senior Notes.

Beazer Homes USA, Inc.
Condensed Consolidating Balance Sheet Information
June 30, 2008
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS						
Cash and cash equivalents	$ 323,583	$ 8,702	$ 175	$ 1,743	$ (20,001)	$ 314,202
Restricted cash	—	903	—	—	—	903
Accounts receivable	—	53,031	6	55	—	53,092
Income tax receivable	144,544	—	—	—	—	144,544
Owned inventory	—	1,908,227	—	—	—	1,908,227
Consolidated inventory not owned	—	120,316	—	—	—	120,316
Residential mortgage loans available-for-sale	—	—	93	—	—	93
Investments in unconsolidated joint ventures	3,093	34,634	—	—	—	37,727
Deferred tax assets	416,354	—	—	—	—	416,354
Property, plant and equipment, net	—	51,581	—	—	—	51,581
Goodwill	—	16,143	—	—	—	16,143
Investments in subsidiaries	864,060	—	—	—	(864,060)	—
Intercompany	891,055	(971,763)	56,883	3,824	20,001	—
Other assets	36,184	40,685	40	6,280	—	83,189
Total assets	$2,678,873	$1,262,459	$57,197	$11,902	$(864,060)	$3,146,371
LIABILITIES AND STOCKHOLDERS' EQUITY						
Trade accounts payable	$ —	$ 90,111	$ —	$ —	$ —	$ 90,111
Other liabilities	122,385	237,110	373	7,014	—	366,882
Intercompany	503	—	—	(503)	—	—
Obligations related to consolidated inventory not owned	—	83,005	—	—	—	83,005
Senior notes (net of discounts of $2,682)	1,522,318	—	—	—	—	1,522,318
Junior subordinated notes	103,093	—	—	—	—	103,093
Other notes payable	—	50,388	—	—	—	50,388
Model home financing obligations	86,388	—	—	—	—	86,388
Total liabilities	1,834,687	460,614	373	6,511	—	2,302,185
Stockholders' equity	844,186	801,845	56,824	5,391	(864,060)	844,186
Total liabilities and stockholders' equity	$2,678,873	$1,262,459	$57,197	$11,902	$(864,060)	$3,146,371

Beazer Homes USA, Inc.
Unaudited Consolidating Balance Sheet Information
September 30, 2007
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp.	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS						
Cash and cash equivalents	$ 447,296	$ —	$ 9,700	$ 1,559	$ (4,218)	$ 454,337
Restricted cash	—	5,171	—	—	—	5,171
Accounts receivable	—	44,449	1,038	14	—	45,501
Income tax receivable	63,981	—	—	—	—	63,981
Owned inventory	—	2,537,791	—	—	—	2,537,791
Consolidated inventory not owned	—	237,382	—	—	—	237,382
Residential mortgage loans available-for-sale	—	—	781	—	—	781
Investments in unconsolidated joint ventures	3,093	106,050	—	—	—	109,143
Deferred tax assets	232,537	—	412	—	—	232,949
Property, plant and equipment, net	—	70,979	701	2	—	71,682
Goodwill	—	68,613	—	—	—	68,613
Investments in subsidiaries	1,397,158	—	—	—	(1,397,158)	—
Intercompany	956,941	(1,039,576)	50,774	6,729	25,132	—
Other assets	19,650	75,812	269	6,959	—	102,690
Total Assets	$3,120,656	$ 2,106,671	$63,675	$15,263	$(1,376,244)	$3,930,021
LIABILITIES AND STOCKHOLDERS' EQUITY						
Trade accounts payable	$ —	$ 118,030	$ —	$ —	$ —	$ 118,030
Other liabilities	60,419	372,050	4,958	7,657	8,005	453,089
Intercompany	(2,661)	—	—	2,661	—	—
Obligations related to consolidated inventory not owned	—	177,931	—	—	—	177,931
Senior Notes (net of discounts of $3,033)	1,521,967	—	—	—	—	1,521,967
Junior subordinated notes	103,093	—	—	—	—	103,093
Other secured notes payable	—	118,073	—	—	—	118,073
Model home financing obligations	114,116	—	—	—	—	114,116
Total Liabilities	1,796,934	786,084	4,958	10,318	8,005	2,606,299
Stockholders' Equity	1,323,722	1,320,587	58,717	4,945	(1,384,249)	1,323,722
Total Liabilities and Stockholders' Equity	$3,120,656	$ 2,106,671	$63,675	$15,263	$(1,376,244)	$3,930,021

Beazer Homes USA, Inc.
Unaudited Condensed Consolidating Statement of Operations Information
Three Months Ended June 30, 2008
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp.	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Total revenue	$ —	$ 455,427	$ —	$151	$ —	$ 455,578
Home construction and land sales expenses	26,693	380,819	—	—	—	407,512
Inventory impairments and option contract abandonments	1,875	93,607	—	—	—	95,482
Gross (loss) profit	(28,568)	(18,999)	—	151	—	(47,416)
Selling, general and administrative expenses	—	83,452	—	65	—	83,517
Depreciation and amortization	—	6,046	—	—	—	6,046
Goodwill impairment	—	4,365	—	—	—	4,365
Operating (loss) income	(28,568)	(112,862)	—	86	—	(141,344)
Equity in (loss) of unconsolidated joint ventures	—	(18,568)	—	—	—	(18,568)
Other (expense) income, net	(14,083)	567	—	27	—	(13,489)
(Loss) income before income taxes	(42,651)	(130,863)	—	113	—	(173,401)
(Benefit from) provision for income taxes	(15,964)	(47,776)	—	33	—	(63,707)
Equity in loss of subsidiaries	(83,007)	—	—	—	83,007	—
Net (loss) income from continuing operations	(109,694)	(83,087)	—	80	83,007	(109,694)
Net (loss) from discontinued operations	—	—	(148)	—	—	(148)
Equity in loss of subsidiaries	(148)	—	—	—	148	—
Net (loss) income	$(109,842)	$ (83,087)	$(148)	$ 80	$83,155	$(109,842)

Beazer Homes USA, Inc.
Unaudited Condensed Consolidating Statement of Operations Information
Nine Months Ended June 30, 2008
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp. (a)	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Total revenue	$ —	$1,361,146	$ —	$503	$ —	$1,361,649
Home construction and land sales expenses	75,982	1,147,270	—	—	—	1,223,252
Inventory impairments and option contract abandonments	12,468	439,386	—	—	—	451,854
Gross (loss) profit	(88,450)	(225,510)	—	503	—	(313,457)
Selling, general and administrative expenses	—	245,472	—	224	—	245,696
Depreciation and amortization	—	18,250	—	—	—	18,250
Goodwill impairment	—	52,470	—	—	—	52,470
Operating (loss) income	(88,450)	(541,702)	—	279	—	(629,873)
Equity in (loss) of unconsolidated joint ventures	—	(75,069)	—	—	—	(75,069)
Other (expense) income, net	(28,122)	7,036	—	179	—	(20,907)
(Loss) income before income taxes	(116,572)	(609,735)	—	458	—	(725,849)
(Benefit from) provision for income taxes	(43,633)	(206,298)	—	160	—	(249,771)
Equity in loss of subsidiaries	(403,139)	—	—	—	403,139	—
Net (loss) income from continuing operations	(476,078)	(403,437)	—	298	403,139	(476,078)
Net (loss) from discontinued operations	—	—	(1,893)	—	—	(1,893)
Equity in loss of subsidiaries	(1,893)	—	—	—	1,893	—
Net (loss) income	$(477,971)	$ (403,437)	$(1,893)	$298	$405,032	$ (477,971)

Beazer Homes USA, Inc.
Unaudited Condensed Consolidating Statement of Operations Information
Three Months Ended June 30, 2007
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp.	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Total revenue	$ —	$ 752,968	$ —	$488	$ —	$ 753,456
Home construction and land sales expenses	37,394	617,449	—	—	(7,354)	647,489
Inventory impairments and option contract abandonments	—	154,244	—	—	—	154,244
Gross (loss) profit	(37,394)	(18,725)	—	488	7,354	(48,277)
Selling, general and administrative expenses	—	96,138	—	189	—	96,327
Depreciation and amortization	—	7,773	—	—	—	7,773
Goodwill impairment	—	29,752	—	—	—	29,752
Operating (loss) income	(37,394)	(152,388)	—	299	7,354	(182,129)
Equity in (loss) of unconsolidated joint ventures	—	(939)	—	—	—	(939)
Other income, net	—	2,617	—	47	—	2,664
(Loss) income before income taxes	(37,394)	(150,710)	—	346	7,354	(180,404)
(Benefit from) provision for income taxes	(15,516)	(49,222)	—	141	3,123	(61,474)
Equity in loss of subsidiaries	(97,052)	—	—	—	97,052	—
Net (loss) income from continuing operations	(118,930)	(101,488)	—	205	101,283	(118,930)
Net income from discontinued operations	—	—	183	—	—	183
Equity in income of subsidiaries	183	—	—	—	(183)	—
Net (loss) income	$(118,747)	$(101,488)	$183	$205	$101,100	$(118,747)

Beazer Homes USA, Inc.
Unaudited Condensed Consolidating Statement of Operations Information
Nine Months Ended June 30, 2007
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp.	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Total revenue	$ —	$2,371,672	$ —	$1,376	$ —	$2,373,048
Home construction and land sales expenses	112,102	1,938,008	—	—	(27,423)	2,022,687
Inventory impairments and option contract abandonments	—	399,856	—	—	—	399,856
Gross (loss) profit	(112,102)	33,808	—	1,376	27,423	(49,495)
Selling, general and administrative expenses	—	301,712	—	611	—	302,323
Depreciation and amortization	—	22,838	—	—	—	22,838
Goodwill impairment	—	29,752	—	—	—	29,752
Operating (loss) income	(112,102)	(320,494)	—	765	27,423	(404,408)
Equity in (loss) of unconsolidated joint ventures	—	(7,012)	—	—	—	(7,012)
Other income, net	—	7,738	—	132	—	7,870
(Loss) income before income taxes	(112,102)	(319,768)	—	897	27,423	(403,550)
(Benefit from) provision for income taxes	(43,534)	(112,625)	—	348	10,650	(145,161)
Equity in loss of subsidiaries	(189,821)	—	—	—	189,821	—
Net (loss) income from continuing operations	(258,389)	(207,143)	—	549	206,594	(258,389)
Net income from discontinued operations	—	—	2,548	—	—	2,548
Equity in income of subsidiaries	2,548	—	—	—	(2,548)	—
Net (loss) income	$(255,841)	$ (207,143)	$2,548	$ 549	$204,046	$ (255,841)

Beazer Homes USA, Inc.
Unaudited Condensed Consolidating Statement of Cash Flows
Nine Months Ended June 30, 2008
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp.	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash (used in)/provided by operating activities	$(193,242)	$ 221,400	$(3,952)	$ 293	$ —	$ 24,499
Cash flows from investing activities:						
Capital expenditures	—	(8,487)	536	2	—	(7,949)
Investments in unconsolidated joint ventures	—	(11,137)	—	—	—	(11,137)
Changes in restricted cash	—	4,268	—	—	—	4,268
Net cash (used in) provided by investing activities	—	(15,356)	536	2	—	(14,818)
Cash flows from financing activities:						
Repayment of other secured notes payable	—	(100,472)	—	—	—	(100,472)
Repayment of model home financing obligations	(27,728)	—	—	—	—	(27,728)
Debt issuance costs	(21,135)	—	—	—	—	(21,135)
Common stock redeemed	(27)	—	—	—	—	(27)
Tax benefit from stock transactions	(454)	—	—	—	—	(454)
Advances to/from subsidiaries	118,873	(96,870)	(6,109)	(111)	(15,783)	—
Net cash provided by (used in) financing activities	69,529	(197,342)	(6,109)	(111)	(15,783)	(149,816)
(Decrease)/increase in cash and cash equivalents	(123,713)	8,702	(9,525)	184	(15,783)	(140,135)
Cash and cash equivalents at beginning of period	447,296	—	9,700	1,559	(4,218)	454,337
Cash and cash equivalents at end of period	$ 323,583	$ 8,702	$ 175	$1,743	$(20,001)	$ 314,202

Beazer Homes USA, Inc.
Unaudited Condensed Consolidating Statement of Cash Flows
Nine Months Ended June 30, 2007
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Beazer Mortgage Corp.	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash (used in)/provided by operating activities	$(248,780)	$ 300,159	$ 71,062	$(392)	$ —	$ 122,049
Cash flows from investing activities:						
Capital expenditures	—	(23,768)	(180)	—	—	(23,948)
Investments in unconsolidated joint ventures	—	(18,666)	—	—	—	(18,666)
Changes in restricted cash	—	(619)	—	—	—	(619)
Distributions from unconsolidated joint ventures	—	1,732	—	—	—	1,732
Net cash used in investing activities	—	(41,321)	(180)	—	—	(41,501)
Cash flows from financing activities:						
Borrowings under credit facilities and warehouse line	—	—	130,031	—	—	130,031
Repayment of credit facilities and warehouse line	—	—	(204,138)	—	—	(204,138)
Repayment of other secured notes payable	—	(14,431)	—	—	—	(14,431)
Repurchase of senior notes	(30,413)	—	—	—	—	(30,413)
Borrowings under model home financing obligations	5,061	—	—	—	—	5,061
Repayment of model home financing obligations	(5,618)	—	—	—	—	(5,618)
Debt issuance costs	—	—	(324)	—	—	(324)
Proceeds from stock option exercises	4,423	—	—	—	—	4,423
Common stock redeemed	(304)	—	—	—	—	(304)
Tax benefit from stock transactions	3,212	—	—	—	—	3,212
Dividends paid	(11,708)	—	—	—	—	(11,708)
Advances to/from subsidiaries	205,262	(244,407)	1,696	(200)	37,649	—
Net cash provided by (used in) financing activities	169,915	(258,838)	(72,735)	(200)	37,649	(124,209)
(Decrease)/increase in cash and cash equivalents	(78,865)	—	(1,853)	(592)	37,649	(43,661)
Cash and cash equivalents at beginning of period	254,915	—	10,664	829	(98,838)	167,570
Cash and cash equivalents at end of period	$ 176,050	$ —	$ 8,811	$ 237	$(61,189)	$ 123,909

(13) Discontinued Operations

On February 1, 2008, the Company determined that it would discontinue its mortgage origination services through Beazer Mortgage Corporation (“BMC”). In February 2008, the Company entered into a new marketing services arrangement with Countrywide Financial Corporation (“Countrywide”), whereby the Company would market Countrywide as the preferred mortgage provider to its customers. In addition, during the nine months ended June 30, 2008, the Company wrote off its entire $7.1 million investment in Homebuilders Financial Network LLC (“HFN”). This writeoff is included in equity in loss of unconsolidated joint ventures in the accompanying condensed consolidated statements of operations. HFN was a joint venture investment which was established to provide loan processing services to mortgage originators. The Company assigned its ownership interest to its joint venture partner. The Company’s joint venture interest in HFN was not owned by Beazer Mortgage Corporation and, therefore, the associated write-off is not included in the discontinued operations information presented below.

The Company has classified the results of operations of BMC, previously included in our Financial Services segment, as discontinued operations in the accompanying unaudited condensed consolidated statements of operations for all periods presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS 144). As of June 30, 2008, substantially all BMC operating activities have ceased. Discontinued operations were not segregated in the unaudited condensed consolidated statements of cash flows. Therefore, amounts for certain captions in the unaudited condensed consolidated statements of cash flows will not agree with the respective data in the unaudited condensed consolidated statements of operations.

The results of the BMC operations classified as discontinued operations in the unaudited condensed consolidated statements of operations for the three and nine months ended June 30, 2008 and 2007 were as follows (dollars in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Total revenue	**$ —**	$4,690	**$ 3,497**	$16,966
Exit and disposal charges of mortgage origination business	**(28)**	—	**(621)**	—
(Loss) income from discontinued operations before income taxes	**(237)**	381	**(3,034)**	4,165
(Benefit from) provision for income taxes	**(89)**	198	**(1,141)**	1,617
(Loss) income from discontinued operations, net of tax	**$(148)**	$ 183	**$(1,893)**	$ 2,548

The income (loss) from discontinued operations for the three and nine months ended June 30, 2008, included approximately $28,000 and $0.6 million of charges directly related to the cessation of BMC operating activities. These charges consist of approximately $435,000 for severance and termination benefits and approximately $186,000 for other expenses directly related to the liquidation.

Assets and liabilities from discontinued operations at June 30, 2008 and September 30, 2007, which entirely relates to BMC, consist of the following (in thousands):

	June 30, 2008	September 30, 2007
ASSETS		
Cash and cash equivalents	**$ 175**	$ 9,700
Accounts receivable	**6**	1,038
Residential mortgage loans available-for-sale	**93**	781
Other	**40**	1,382
Assets of discontinued operations	**$ 314**	$ 12,901
LIABILITIES		
Trade accounts payable and other liabilities	**$ 373**	$ 4,958
Liabilities of discontinued operations	**$ 373**	$ 4,958

(14) Subsequent Events

On July 1, 2008, the Company completed the sale of two large condominium projects in Virginia for total cash proceeds of $85 million which approximated their fair value, less costs to sell, included in inventory as of June 30, 2008. As previously discussed in Note 7, on August 7, 2008, we entered into an amendment to our Revolving Credit Facility which changed the size, covenants and pricing for the facility. The Revolving Credit Facility is now a $400 million secured revolving credit facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview and Outlook. The homebuilding environment continued to deteriorate during fiscal 2008 as consumer confidence declined, the availability of home mortgage credit tightened significantly and the economy continued to slow down. In addition, the supply of new and resale homes in the marketplace remained excessive for the levels of consumer demand. These pressures in the marketplace resulted in the continued use of increased sales incentives and price reductions in an effort to generate sales and reduce inventory levels. We believe that the homebuilding market will remain challenging throughout fiscal 2008 and into fiscal 2009. In addition, as a result of the various ongoing investigations and litigation discussed herein and the issues relating thereto, we have been the subject of continuing negative publicity. This negative publicity has contributed to significant declines in the prices of our publicly traded securities. We believe this negative publicity has also discouraged and may continue to discourage a number of potential homebuyers from purchasing a home from us and has adversely affected our relationships with certain of our partners, such as land sellers, contractors and suppliers. Continuing negative publicity could continue to have a material adverse effect on our business and the market price of our publicly traded securities. We incurred expenses related to the investigation and related expenses of $11.0 million and $28.2 million for the three and nine months ended June 30, 2008 as compared to $0.9 million for both of the comparable periods in the prior fiscal year.

We have responded to this challenging environment with a disciplined operating approach, responding to what was during the third quarter of fiscal 2008 and what we expect will continue to be a challenging environment for the homebuilding industry. We continue to make reductions in direct costs and overhead expenses and remain committed to aligning our land supply and inventory levels to current expectations for lower home closings, exercising caution with respect to further investment in inventory. We have focused on the generation of cash from our existing inventory supply as the timing of a market recovery in housing is currently uncertain. In addition, in July 2008, we completed the sale of two condominium projects in Virginia to third parties for cash proceeds of approximately $85 million.

We have also undertaken a comprehensive review of 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 shareholder value. This review entailed an evaluation of both external market factors and our position in each market and has resulted in the decision to discontinue homebuilding operations in Charlotte, NC, Cincinnati/Dayton, OH, Columbia, SC, Columbus, OH and Lexington, KY which was announced on February 1, 2008 and in Denver, CO and Fresno, CA which was announced during the third quarter of fiscal 2008. We intend to complete an orderly exit from each of these markets and remain committed to our remaining customer care responsibilities. We have committed to complete all homes under construction in these markets and are in the process of marketing the remaining land positions for sale. While the underlying basis for exiting each market was different, in each instance we concluded we could better serve shareholder interests by re-allocating the capital employed in these markets. As of June 30, 2008, these markets represented approximately 5% of the Company’s total assets.

On February 1, 2008, we exited the mortgage origination business and entered into an exclusive preferred lender relationship with a national mortgage provider. This exclusive relationship will continue to offer our homebuyers the option of a simplified financing process while enabling us to focus on our core competency of homebuilding. Our decision to exit the mortgage origination business was related to the problems identified by the Audit Committee’s investigation of our mortgage origination practices, the growing complexity and cost of compliance with national, state and local lending rules, and the retrenchment among mortgage capital sources which has had the effect of reducing the profitability of many mortgage brokerage activities. Our mortgage origination business is now reported as a discontinued operation in our unaudited condensed consolidated results of operations for all periods presented.

Long-Term Business Strategy. We have developed a long-term business strategy which focuses on the following elements in order to provide a wide range of homebuyers with quality homes while generating returns on our invested capital over the course of a housing cycle.

Geographic Diversification in Growth Markets. We compete in a large number of geographically diverse markets in an attempt to reduce our exposure to any particular regional economy. Within these markets, we build homes in a variety of projects. We continually review our selection of markets based on both aggregate demographic information and our operating results. We use the results of these reviews to re-allocate our investments to those markets where we believe we can maximize our return on capital over the next several years.

Diversity of Product Offerings. Our product strategy entails addressing the needs of an increasingly diverse profile of home buyers. Within each of our markets we determine the profile of buyers we hope to address 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 types of home buyers: entry-level, move-up, luxury or retirement-oriented. The targeted buyer profiles are further refined by information about their marital and family status, employment, age, affluence and special interests. Recognizing that our customers want to choose certain components of their new home, we offer limited customization through the use of design studios in most of our markets. These design studios allow the customer to select certain non-structural customizations for their homes such as cabinetry, flooring, fixtures, appliances and wall coverings.

Consistent Use of National Brand. Our homebuilding and marketing activities are conducted under the name of Beazer Homes in each of our markets. We adopted the strategy of a single brand name across our markets in 2003 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 has accelerated our adoption of emerging online marketing practices.

Operational Scale Efficiencies. Beyond marketing advantages, we attempt to create both national and local scale efficiencies as a result of the 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, planning and design among our markets 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 investments in land, we often use options to control land. We generally do not speculate in land which does not have the benefit of entitlements providing basic development rights to the owner.

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. However, during fiscal 2008, we continued to experience challenging conditions in most of our markets which contributed to decreased revenues and closings as compared to prior periods including prior quarters, thereby reducing typical seasonal variations.

Reportable Business Segments. We design, sell and build single-family and multi-family homes in the following geographic regions which are presented as reportable segments. Those remaining homebuilding operations not separately reportable as segments are included in “Other”:

West	*Mid-Atlantic*	*Florida*	*Southeast*	*Other*
Arizona	Delaware	Florida	Georgia	Colorado
California	Maryland		Nashville, TN	Indiana
Nevada	New Jersey		North Carolina	Kentucky
New Mexico	New York		South Carolina	Memphis, TN
	Pennsylvania			Ohio
	Virginia			Texas
	West Virginia			

Financial Services. We provide title services to our customers in many of our markets. Financial Services operations are a reportable segment.

Additional Products and Services for Homebuyers. In order to maximize our profitability and provide our customers with the additional products and services that they desire, we have incorporated design centers into our business. Recognizing that our customers want to choose certain components of their new home, we offer limited customization through the use of design studios in most of our markets. These design studios allow the customer to select certain non-structural customizations for their homes such as cabinetry, flooring, fixtures, appliances and wall coverings.

Mortgage Origination Issues. The Investigation found evidence that employees of the Company’s Beazer Mortgage Corporation subsidiary violated certain federal and/or state regulations, including U.S. Department of Housing and Urban Development (“HUD”) regulations. Areas of concern uncovered by the Investigation include: down payment assistance programs; the charging of discount points; the closure of certain HUD Licenses; closing accommodations; and the payment of a number of realtor bonuses and decorator allowances in certain Federal Housing Administration (“FHA”) insured loans and non-FHA conventional loans originated by Beazer Mortgage dating back to at least 2000. The Investigation also uncovered limited improper practices in relation to the issuance of a number of non-FHA Stated Income Loans. We reviewed the loan documents and supporting documentations and determined that the assets were effectively isolated from the seller and its creditors (even in the event of bankruptcy). Based on that information, management continues to believe that sale accounting at the time of the transfer of the loans to third parties was appropriate.

We intend to attempt to negotiate a settlement with prosecutors and regulatory authorities that would allow us to quantify our exposure associated with reimbursement of losses and payment of regulatory and/or criminal fines, if they are imposed. See Notes 14 and 17 to the consolidated financial statements included in Item 8 of our 2007 Form 10-K for additional discussion of this matter. At this time, we believe that although it is probable that a liability exists related to this exposure, it is not reasonably estimable and would be inappropriate to record a liability as of June 30, 2008.

Effective February 1, 2008, we exited the mortgage origination business and entered into an exclusive preferred lender arrangement with a national third-party mortgage provider. This exclusive arrangement will continue to offer our homebuyers the option of a simplified financing process while enabling us to focus on our core competency of homebuilding.

Internal Control Over Financial Reporting. A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. As is more fully discussed in Item 9.A. of our Form 10-K for fiscal 2007, management concluded that, as of September 30, 2007, there were material weaknesses in internal control over financial reporting as it relates to our control environment, including: deficiency in the effectiveness of our Code of Business Conduct and Ethics, compliance with laws and regulations, segregation of duties, and management override and collusion; and our accounting policy, procedures and controls related to our accounting for certain estimates involving significant management judgments.

As of June 30, 2008, we do not believe these material weaknesses have been fully remediated, but we are actively engaged in the implementation of remediation efforts to address them. We have appointed a Compliance Officer to implement and oversee our enhanced Compliance Program. We revised, adopted and distributed an amended Code of Business Conduct and Ethics and launched a comprehensive training program that emphasizes adherence to the vital importance of the Code of Business Conduct and Ethics. We transferred the administration of our Ethics Hotline from officers of the Company to an independent third party company. We terminated our former Chief Accounting Officer and took appropriate action, including the termination of employment, against other business unit employees who violated our Code of Business Conduct and Ethics. We hired a new, experienced Chief Accounting Officer and reorganized our field operations to concentrate certain accounting, accounts payable, billing, and purchasing functions into Regional Accounting Centers lead by Regional CFOs to minimize the lack of segregation of duties in our prior structure. We have designed and/or clarified and implemented several accounting policies related to estimates involving significant management judgments. We are continuing to design and/or clarify and implement additional policies related to other financial reporting areas to ensure that we have the appropriate review and approval, defining minimum documentation requirements, establishing objective guidelines to minimize the degree of judgment in the determination of certain accruals, enforcing consistent reporting practices, and enabling effective account reconciliation, trend analyses, and exception reporting capabilities.

Despite these material weaknesses, management believes the unaudited condensed consolidated financial statements included in this report present fairly, in all material respects, our financial position, results of operations and cash flows as of the dates and for the periods presented in conformity with accounting principals generally accepted in the United States of America. Item 4 — Controls and Procedures describes the additional actions we are taking to remediate these material weaknesses.

Recently Adopted Accounting Pronouncements. On October 1, 2007, the Company adopted the provisions of Emerging Issues Task Force (“EITF”) Issue No. 06-8, *Applicability of the Assessment of a Buyer’s Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums* . EITF 06-8 states that the adequacy of the buyer’s continuing investment under SFAS 66 should be assessed in determining whether to recognize profit under the percentage-of-completion method on the sale of individual units in a condominium project. This consensus requires that additional deposits be collected by developers of condominium projects that wish to recognize profit during the construction period under the percentage-of-completion method. EITF 06-8 is effective for fiscal years beginning after March 15, 2007. The adoption of EITF 06-8 did not have a material impact on our consolidated financial position, results of operations or cash flows.

On October 1, 2007 the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No.* 109 (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109, *Accounting for Income Taxes*. FIN 48 defines the threshold for recognizing the benefits of tax return positions as well as guidance regarding the measurement of the resulting tax benefits. FIN 48 requires a company to recognize for financial statement purposes the impact of a tax position, if a tax return position is “more likely than not” to prevail (defined as a likelihood of more than fifty percent of being sustained upon audit, based on the technical merits of the tax position). FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect of the adoption of FIN 48 was recorded as a $10.1 million reduction to retained earnings as of October 1, 2007. The total amount of gross unrecognized tax benefits as of October 1, 2007 was $72.5 million (which excludes interest, penalties, and the tax benefit relating to the deductibility of interest and state income tax). The adoption of FIN 48 also increased our gross deferred tax assets by approximately $65 million. The total amount of unrecognized tax benefits that, if recognized, would affect the Company’s effective tax rate was $26.5 million, as of October 1, 2007.

Since the adoption of FIN 48 on October 1, 2007, there have been no material changes to the components of the Company’s total unrecognized tax benefit, including the amounts that, if recognized, would affect the Company’s effective tax rate. It is reasonably possible that, within the next 12 months, total unrecognized tax benefits may decrease as a result of the potential resolution with the IRS relating to issues stemming from fiscal year 2003 and 2004 federal income tax returns, in addition to the resolution of various state income tax audits and/or appeals. The change that could occur within the next 12 months, however, cannot be estimated at this time. The statute of limitations for the Company’s major tax jurisdictions remains open for examination for fiscal years 2003 through 2007.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the financial statements as a component of the income tax provision, consistent with the Company's historical accounting policy. After the adoption of FIN 48, the total amount of gross accrued interest and penalties was $19.3 million. The Company recorded an additional $2.3 million and $4.1 million of gross interest and penalties during the three and nine months ended June 30, 2008, respectively, in accordance with FIN 48, resulting in a $23.4 million accrued balance at June 30, 2008. The Company's liability for unrecognized tax benefits combined with accrued interest and penalties is reflected as a component of other liabilities.

Recent Accounting Pronouncements Not Yet Adopted. In December 2007, the FASB issued SFAS 141 (revised 2007), Business Combinations. SFAS 141R amends and clarifies the accounting guidance for the acquirer's recognition and measurement of assets acquired, liabilities assumed and noncontrolling interests of an acquiree in a business combination. SFAS 141R is effective for our fiscal year ended September 30, 2009. We do not expect the adoption of SFAS 141R to have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*, SFAS 157 provides guidance for using fair value to measure assets and liabilities. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS 157 includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and for interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position ("FSP") 157-2, *Effective Date of FASB Statement No. 157*, delaying the effective date of certain non-financial assets and liabilities to fiscal periods beginning after November 15, 2008. We are currently evaluating the impact of adopting SFAS 157 on our consolidated financial condition and results of operations; however, it is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115* . SFAS 159 permits companies to measure certain financial instruments and other items at fair value. SFAS 159 is effective for our fiscal year beginning October 1, 2008. We are currently evaluating the impact of adopting SFAS 159 on our consolidated financial condition and results of operations; however, it is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB 51*. SFAS 160 requires that a noncontrolling interest (formerly minority interest) in a subsidiary be classified as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be included in the consolidated financial statements. SFAS 160 is effective for our fiscal year beginning October 1, 2009 and its provisions will be applied retrospectively upon adoption. We are currently evaluating the impact of adopting SFAS 160 on our consolidated financial condition and results of operations.

In December 2007, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 110 which expresses the views of the Staff regarding the use of the "simplified" method (the mid-point between the vesting period and contractual life of the option) for "plain vanilla" options in accordance with SFAS 123R. SAB 110 will allow the use of the "simplified" method beyond December 31, 2007 under certain conditions including a company's inability to rely on historical exercise data. We will consider SAB 110 for future grants.

RESULTS OF OPERATIONS:

($ in thousands)	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Revenues:				
Homebuilding (a)	**$ 431,723**	$ 732,491	**$ 1,324,166**	$ 2,294,186
Land and lot sales	**22,975**	19,187	**34,544**	73,393
Financial Services	**880**	1,778	**2,939**	5,469
Total	**$ 455,578**	$ 753,456	**$ 1,361,649**	$ 2,373,048
Gross profit (loss):				
Homebuilding (b)	**$ (50,338)**	$ (49,303)	**$ (317,398)**	$ (56,409)
Land and lot sales	**2,042**	(752)	**1,002**	1,445
Financial Services	**880**	1,778	**2,939**	5,469
Total	**$ (47,416)**	$ (48,277)	**$ (313,457)**	$ (49,495)
Selling, general and administrative (SG&A) expenses:				
Homebuilding (c)	**$ 82,847**	$ 95,726	**$ 243,790**	$ 300,022
Financial Services	**670**	601	**1,906**	2,301
Total	**$ 83,517**	$ 96,327	**$ 245,696**	$ 302,323
Depreciation and amortization	**$ 6,046**	$ 7,773	**$ 18,250**	$ 22,838
As a percentage of total revenue:				
Gross Margin	**-10.4%**	-6.4%	**-23.0%**	-2.1%
SG&A — homebuilding	**18.2%**	12.7%	**17.9%**	12.6%
SG&A — Financial Services	**0.1%**	0.1%	**0.1%**	0.1%
Equity in loss of unconsolidated joint ventures from:				
Joint venture activities	**$ (91)**	$ (939)	**$ (12,027)**	$ (3,936)
Impairments	**(18,477)**	—	**(63,042)**	(3,076)
Equity in loss of unconsolidated joint ventures	**$ (18,568)**	$ (939)	**$ (75,069)**	$ (7,012)
Effective tax rate — continuing operations	**36.7%**	34.1%	**34.4%**	36.0%

(a) The impact of deferrals (net reversal of deferrals) in accordance with SFAS 66 on homebuilding revenues related to certain homes for which the sale of a related mortgage loan to a third-party investor had not been completed as of the balance sheet date was $(3.9) million and $25.6 million for the three and nine months ended June 30, 2007 .

(b) Homebuilding gross loss for the three months and nine months ended June 30, 2008 include $67.7 million and $383.9 million, respectively, of inventory impairment charges and $27.8 million and $67.9 million, respectively, of charges related to the abandonment of lot option agreements. Homebuilding gross profit (loss) for the three months and nine months ended June 30, 2007 include $109.4 million and $310.8 million, respectively, of inventory impairment charges and $44.8 million and $89.1 million, respectively, of charges related to the abandonment of lot option agreements.

(c) Includes investigation and related expenses of $11.0 million and $28.2 million for the three and nine months ended June 30, 2008 and $0.9 million for both the three and nine months ended June 30, 2007.

Revenues: Revenues decreased by 39.5% and 42.6% for the three and nine months ended June 30, 2008, respectively, compared to the same periods in the prior year as the number of homes closed decreased by 36.9% and 34.9%. Continued reduction in the levels of demand compared to last year resulted in decreased closings and average sales prices throughout most of our markets.

In addition, we had $23.0 million and $34.5 million of land and lot sales in the three and nine months ended June 30, 2008 compared to $19.2 million and $73.4 million in the three and nine months ended June 30, 2007, respectively, as we continued to review opportunities to minimize underperforming investments and reallocate funds to investments that will optimize overall returns.

Gross Margin: Gross margin for the three months ended June 30, 2008 was (10.4%) and was significantly impacted by reduced revenues, non-cash, pretax charges of $27.8 million to abandon land option contracts and $67.7 million of recognized inventory impairments. Gross margin for the nine months ended June 30, 2008 was (23.0%) and was also impacted by the aforementioned revenue decrease, inventory impairments of $383.9 million and lot option abandonment charges of $67.9 million. Gross margins for the three months and nine months ended June 30, 2007 were (6.4%) and (2.1%), respectively and were impacted by inventory impairments of $109.4 million and $310.8 million and lot option abandonment charges of $44.8 million and $89.1 million for the three and nine months ended June 30, 2007, respectively.

Selling, General and Administrative Expense: Selling, general and administrative expense (SG&A) totaled $83.5 million and $96.3 million for the three months ended June 30, 2008 and 2007 and $245.7 million and $302.3 million for the nine months ended June 30, 2008 and 2007, respectively. The 13.3% and 18.7% decreases in SG&A expense for the three and nine months ended June 30, 2008, respectively, compared to the same periods of the prior year related to lower salary expense as a result of the realignment of our overhead structure and lower sales commissions related to decreased revenues, partially offset by $11.0 million and $28.2 million, respectively, of investigation and related expenses. The decrease in SG&A expense, exclusive of the investigation related expense, was 24.0% and 27.9% for the three and nine months ended June 30, 2008 as compared to the comparable periods of the prior year. SG&A expense as a percentage of total revenue for the three and nine months ended June 30, 2008 increased to 18.3% and 18.0% (15.9% and 16.0% excluding the investigation related expenses) from 12.8% and 12.7% (12.7% and 12.7% excluding the investigation related expenses) for the comparable periods in the prior year due to the impact of reduced revenues on fixed overhead expenses and the impact of investigation related costs.

Goodwill Impairment Charges: As a result of significantly less than expected new orders in our prime selling season, which is our second fiscal quarter, significant pricing pressures and additional incentives provided to homebuyers, our reforecasting of expected future results of operations and increasing inventory impairment charges, we tested all remaining goodwill balances for impairment as of March 31, 2008 and recorded estimated goodwill impairment charges totaling $48.1 million relating to our reporting units in Arizona, Southern California, New Jersey and Virginia. In connection with our annual goodwill impairment test as of April 30, 2008, we finalized our impairment calculations, validating the impairments recorded for the three months ended March 31, 2008. Also, in connection with our annual goodwill impairment test and our decision in the third quarter to exit our Colorado market, we recorded an additional impairment charge of $4.4 million related to our reporting unit in Colorado. The goodwill impairment charges were based on estimates of fair value of the underlying assets of the reporting units. To the extent that there is further deterioration in market conditions or overall economic conditions or our strategic plans change, it is possible that our conclusion regarding fair value of reporting units which are currently not impaired could change, which could result in future goodwill impairments that have a material adverse effect on our financial position and results of operations.

Joint Venture Impairment Charges: As of June 30, 2008, we participated in 19 land development joint ventures in which we had less than a controlling interest. Our joint ventures are typically entered into with developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture's members and other third parties. As a result of the deterioration of the housing market thus far in fiscal 2008 during the three and nine months ended June 30, 2008, we wrote down our investment in certain of our joint ventures reflecting $18.5 million and $63.0 million of impairments of inventory held within those joint ventures. Joint venture impairments during the nine months ended June 30, 2007 totaled $3.1 million. There were no joint venture impairments during the quarter ended June 30, 2007. If these adverse market conditions continue or worsen, we may have to take further writedowns of our investments in these joint ventures.

SEGMENT ANALYSIS ($ in thousands):

Homebuilding Revenue and Average Selling Price. The tables below summarize homebuilding revenue and the average selling prices of our homes by reportable segment ($ in thousands) for the three and nine months ended June 30, 2008 and 2007:

	Three Months Ended June 30,									
	Homebuilding Revenues					Average Selling Price				
	2008		2007		Change	**2008**		2007		Change
West	**$**	**111,557**	$	248,830	-55.2%	**$**	**274.1**	$	350.8	-21.9%
Mid-Atlantic		**108,294**		107,153	1.1%		**443.8**		465.4	-4.6%
Florida		**32,751**		72,470	-54.8%		**215.5**		267.9	-19.6%
Southeast		**74,245**		142,191	-47.8%		**229.2**		232.9	-1.6%
Other		**104,876**		161,847	-35.2%		**190.7**		202.3	-5.7%
Total	**$**	**431,723**	$	732,491	-41.1%	**$**	**257.4**	$	282.1	-8.8%

	Nine Months Ended June 30,									
	Homebuilding Revenues					Average Selling Price				
	2008		2007		Change	**2008**		2007		Change
West	**$**	**340,672**	$	771,091	-55.8%	**$**	**281.7**	$	358.4	-21.4%
Mid-Atlantic		**282,260**		302,489	-6.7%		**407.9**		457.6	-10.9%
Florida		**126,745**		270,124	-53.1%		**232.6**		303.4	-23.3%
Southeast		**242,238**		474,003	-48.9%		**228.5**		232.0	-1.5%
Other		**332,251**		476,479	-30.3%		**190.1**		198.3	-4.1%
Total	**$**	**1,324,166**	$	2,294,186	-42.3%	**$**	**252.0**	$	281.8	-10.6%

Homebuilding Revenues: Homebuilding revenues decreased for the three and nine months ended June 30, 2008 compared to the same period of the prior year due to decreased closings in the majority of our markets, related to reduced demand, a continued high rate of cancellations, excess capacity in both new home and resale markets and the mortgage credit tightening as investors continued to divest of prior home purchases and potential homebuyers have difficulty selling their homes and/or obtaining financing. Specifically, 2008 homebuilding revenues in the West region decreased from 2007 by 55.2% and 55.8% driven by decreased closings across our West markets totaling 43.6% and 43.2% for the three and nine months ended June 30, respectively. Our Florida region continued to be challenged by significant declines in demand, high cancellations and excess capacity in both the new home and resale markets, driving decreases in homebuilding revenues of 54.8% and 53.1% for the three and nine months ended June 30, 2008 as compared to the same periods of fiscal 2007. Home closings in the Southeast region decreased by 46.7% and 47.5% due to deteriorating market conditions and competitive pressures, driving a decrease in revenue of 47.8% for the three months ended and 48.9% for the nine months ended June 30, 2008 compared to the comparable periods of fiscal 2007. Revenues in all markets in our Other Homebuilding region decreased due primarily to decreased closings. For the three months ended June 30, 2008, our Mid-Atlantic segment homebuilding revenues increased by 1.1% despite a 7.2% decline in closings driven by increased revenues and closings of 135.5% and 85.0%, respectively, in our New Jersey market primarily related to auction sales of high-end condominium units. For the nine months ended June 30, 2008, Mid-Atlantic revenues decreased by 6.7% related to competitive pricing pressures.

Land and Lot Sales Revenue. The table below summarizes land and lot sales revenues by reportable segment ($ in thousands) for the three and nine months ended June 30, 2008 and 2007:

	Three Months Ended June 30,					Nine Months Ended June 30,				
	2008		2007		Change	**2008**		2007		Change
West	**$**	**—**	$	—	n/a	**$**	**4,270**	$	43,701	-90.2%
Mid-Atlantic		**—**		6,687	n/a		**2,520**		6,687	-62.3%
Florida		**—**		—	n/a		**460**		—	n/a
Southeast		**2,959**		9,930	-70.2%		**3,775**		17,356	-78.2%
Other		**20,016**		2,570	678.8%		**23,519**		5,649	316.3%
Total	**$**	**22,975**	$	19,187	19.7%	**$**	**34,544**	$	73,393	-52.9%

We generated revenues from land and lot sales of $20.0 million in our Other Homebuilding segment during the third quarter of fiscal 2008 in connection with our decision to exit our Ohio and Kentucky markets. Land and lot sales in our West segment for the nine months ended June 30, 2007 primarily related to our decision to sell certain parcels of land and lots that did not fit within our homebuilding programs in those markets.

Gross Profit (Loss). Homebuilding gross profit is defined as homebuilding revenues less homebuilding costs (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). The following table sets forth our homebuilding gross profit (loss) and gross margin by reportable segment and total gross profit (loss) and gross margin ($ in thousands) for the three and nine months ended:

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2008		2007		2008		2007	
	Gross Profit (Loss)	**Gross Margin**	Gross Profit (Loss)	Gross Margin	**Gross Profit (Loss)**	**Gross Margin**	Gross Profit (Loss)	Gross Margin
Homebuilding								
West	**$ (27,421)**	**-24.6%**	$ (36,489)	-14.7%	**$ (114,401)**	**-33.6%**	$ (44,713)	-5.8%
Mid-Atlantic	**15,333**	**14.2%**	209	0.2%	**(19,295)**	**-6.8%**	272	0.1%
Florida	**(4,424)**	**-13.5%**	(9,844)	-13.6%	**(25,223)**	**-19.9%**	(10,570)	-3.9%
Southeast	**(1,085)**	**-1.5%**	15,537	10.9%	**(40,209)**	**-16.6%**	73,380	15.5%
Other	**(2,950)**	**-2.8%**	8,324	5.1%	**(23,845)**	**-7.2%**	15,946	3.3%
Corporate & Unallocated	**(29,791)**		(27,040)		**(94,425)**		(90,724)	
Total Homebuilding	**(50,338)**	**-11.7%**	(49,303)	-6.7%	**(317,398)**	**-23.9%**	(56,409)	-2.5%
Land and Lot Sales	**2,042**		(752)		**1,002**		1,445	
Financial Services	**880**		1,778		**2,939**		5,469	
Total	**$ (47,416)**	**-10.4%**	$ (48,277)	-6.4%	**$ (313,457)**	**-23.0%**	$ (49,495)	-2.1%

The decrease in gross profit across all regions is primarily due to further deteriorating market conditions, increase in sales incentives, and the impact of charges related to inventory impairments and the abandonment of certain lot option contracts.

Corporate and unallocated: Corporate and unallocated costs above include the amortization of capitalized interest and indirect construction costs. The increase in corporate and unallocated costs relates primarily to a reduction in capitalized inventory costs due to lower inventories and costs incurred. Corporate and unallocated costs for the three and nine months ended June 30, 2008 include increased amortization of capitalized interest and indirect costs due to a lower capitalizable inventory base and the impairment of capitalized interest and indirect costs in connection with our impairment of inventory held for development. Costs for the three and nine months ended June 30, 2007, respectively, are offset by $6.0 million and $12.0 million of reductions in Trinity moisture intrusion accruals.

Land and Lot Sales Gross Profit (Loss). The table below summarizes land and lot sales gross profit (loss) by reportable segment ($ in thousands) for the three and nine months ended June 30, 2008 and 2007:

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2008	2007	Change	**2008**	2007	Change
West	**$ —**	$ (520)	n/a	**$ 1,582**	$ 2,419	-34.6%
Mid-Atlantic	**1,475**	907	62.6%	**1,482**	907	63.4%
Florida	**—**	—	n/a	**99**	—	n/a
Southeast	**120**	239	-49.8%	**236**	64	268.8%
Other	**447**	(1,378)	132.4%	**(2,397)**	(1,945)	-23.2%
Total	**$ 2,042**	$ (752)	371.5%	**$ 1,002**	$ 1,445	-30.7%

The gain on land and lot sales recognized in the third quarter of fiscal 2008 reflects a final adjustment to a prior quarter land sale in our Mid-Atlantic segment and the sale of homebuilding assets in certain markets we are exiting in our Southeast and Other Homebuilding Segments as discussed above.

Inventory Impairments. The following tables set forth, by reportable segment, the inventory impairments and lot option abandonment charges recorded for the three and nine months ended June 30, 2008 and 2007 (in thousands):

	Quarter Ended June 30,		Nine Months Ended June 30,	
	2008	2007	**2008**	2007
Development projects and homes in process (Held for Development)				
West	**$ 20,371**	$ 57,623	**$ 145,792**	$ 140,532
Mid-Atlantic	**2,402**	6,516	**52,280**	41,495
Florida	**9,032**	16,931	**21,171**	54,904
Southeast	**9,817**	7,204	**27,427**	12,075
Other	**2,085**	14,960	**7,409**	39,450
Unallocated	**3,053**	6,194	**19,790**	18,389
Subtotal	**$ 46,760**	$ 109,428	**$ 273,869**	$ 306,845
Land Held for Sale				
West	**$ 6,910**	$ —	**$ 7,714**	$ 3,105
Mid-Atlantic	**5,631**	—	**14,802**	—
Florida	**804**	—	**23,839**	—
Southeast	**3,793**	—	**19,246**	500
Other	**3,828**	—	**44,458**	350
Subtotal	**$ 20,966**	$ —	**$ 110,059**	$ 3,955
Lot Option Abandonments				
West	**$ 14,134**	$ 19,858	**$ 14,962**	$ 31,616
Mid-Atlantic	**21**	14,477	**6,679**	19,174
Florida	**606**	7,209	**4,354**	21,481
Southeast	**684**	2,685	**28,074**	5,934
Other	**12,311**	587	**13,857**	10,851
Subtotal	**$ 27,756**	$ 44,816	**$ 67,926**	$ 89,056
Total	**$ 95,482**	$ 154,244	**$ 451,854**	$ 399,856

The inventory impaired during the three and nine months ended June 30, 2008 represented 2,430 and 8,850 lots in 44 and 191 communities with an estimated fair value of $164.2 million and $556.2 million, respectively. The impairments recorded on our held for development inventory, for all segments, primarily resulted from the continued significant decline in the homebuilding environment that negatively impacted the sales prices of homes and increased the sales incentives offered to potential homebuyers in our efforts to increase home sales absorptions. Fiscal year to date, our West and Mid-Atlantic segments experienced the most significant amount of inventory impairments as compared to our other homebuilding segments due to the fact that the number of owned land and lots in the West and Mid-Atlantic segments comprise approximately 29.5% and 12.7%, respectively, of our total land and lots owned as of June 30, 2008 and approximately 37.4% and 19.9%, respectively, of the dollar value of our held for development inventory as of June 30, 2008. In addition, our homebuilding markets that comprise our West segment consist of markets that once experienced the most significant home price appreciation in the nation during the 2004 through 2006 periods which was driven in large part by speculative purchases and the availability of mortgage credit during those time periods which are no longer present in the marketplace. The decline in the availability of mortgage loan products and the exit of speculators from the market, among other factors, contributed to the significant increase in the supply of new and used homes on the market for sale.

The impairments recorded in our other homebuilding segments are primarily as a result of continued price competition brought on by the significant increase in new and resale home inventory during the three and nine months ended June 30, 2008 that has resulted in increased sales incentives and home sales price declines as we attempt to increase new orders and generate cash to the Company.

In addition, we have also completed a strategic review of all of the markets within our homebuilding segments and the communities within each of those markets with an initial focus on the communities for which land has been secured with option purchase contracts. As a result of this review, we have determined the proper course of action with respect to a number of communities within each homebuilding segment was to abandon the remaining lots under option and to write-off the deposits securing the option takedowns, as well as preacquisition costs. The total abandonments recorded for the three months and nine months ended June 30, 2008 were

$27.8 million and $67.9 million representing 21 and 61 communities, respectively, with the Southeast and Other Homebuilding segments representing 41.3% and 20.4%, respectively, of the nine-month abandonments as we made decisions to abandon certain option contracts that no longer fit in our long-term strategic plan and also related to our decision to exit our Colorado and Kentucky markets.

Unit Data by Segment:

	New Orders, net						Cancellation Rates			
	Three Months Ended June 30,			Nine Months Ended June 30,			Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	Change	**2008**	2007	Change	**2008**	2007	**2008**	2007
West	**594**	726	-18.2%	**1,420**	2,224	-36.2%	**30.0%**	40.0%	**36.3%**	38.2%
Mid-Atlantic	**107**	327	-67.3%	**411**	1,128	-63.6%	**67.2%**	31.0%	**60.0%**	23.8%
Florida	**188**	357	-47.3%	**509**	891	-42.9%	**26.8%**	30.1%	**28.5%**	33.2%
Southeast	**409**	647	-36.8%	**1,117**	2,128	-47.5%	**19.8%**	33.3%	**23.8%**	30.7%
Other	**476**	991	-52.0%	**1,525**	2,550	-40.2%	**44.9%**	38.8%	**42.9%**	39.4%
Total	**1,774**	3,048	-41.8%	**4,982**	8,921	-44.2%	**36.8%**	36.3%	**38.5%**	34.8%

	Closings					
	Three Months Ended June 30,			Nine Months Ended June 30,		
	2008	2007	Change	**2008**	2007	Change
West	**407**	721	-43.6%	**1,206**	2,125	-43.2%
Mid-Atlantic	**244**	263	-7.2%	**692**	676	2.4%
Florida	**152**	266	-42.9%	**545**	861	-36.7%
Southeast	**324**	608	-46.7%	**1,060**	2,018	-47.5%
Other	**550**	801	-31.3%	**1,748**	2,391	-26.9%
Total	**1,677**	2,659	-36.9%	**5,251**	8,071	-34.9%

New Orders and Backlog: New orders, net of cancellations, decreased 44.2% to 4,982 units during the nine month period ended June 30, 2008, compared to 8,921 units for the same period in the prior year related to weaker market conditions resulting in reduced demand and higher cancellations compared to the number of new orders received in the first nine months of fiscal 2007. For the three and nine months ended June 30, 2008, we experienced cancellation rates of 36.8% and 38.5% compared to 36.3% and 34.8% for the three and nine months ended June 30, 2007. These cancellation rates in both fiscal 2008 and 2007 reflect the continued challenging market environment which includes the inability of many potential homebuyers to sell their existing homes and obtain affordable financing. In addition, on July 1, 2008, we completed the sale of two large condominium projects in Virginia, which resulted in the cancellation of 109 orders and 215 orders for the three and nine months ended June 30, 2008, respectively, and the significant increase in the cancellation rate for our Mid-Atlantic segment. The increase in cancellation rates in our Other Homebuilding segment primarily relates to our decision to exit our Ohio, Kentucky and Colorado markets in this segment and our decision to curtail production in certain communities.

Backlog reflects the number and value of homes for which the Company has entered into a sales contract with a customer but has not yet delivered the home. The aggregate dollar value of homes in backlog at June 30, 2008 of $668.1 million decreased 60.5% from $1.69 billion at June 30, 2007, related to a decrease in the number of homes in backlog from 5,952 units at June 30, 2007 to 2,716 units at June 30, 2008. The decrease in the number of homes in backlog across all of our markets is driven primarily by the aforementioned market weakness, lower new orders and higher rate of cancellations.

	Backlog at June 30,		
	2008	2007	Change
West	**705**	1,274	-44.7%
Mid-Atlantic	**362**	1,029	-64.8%
Florida	**202**	538	-62.5%
Southeast	**561**	1,431	-60.8%
Other	**886**	1,680	-47.3%
Total	**2,716**	5,952	-54.4%

Backlog has declined in all of our homebuilding segments due primarily to the significant downturn in our industry and the reduction in the availability of mortgage credit for our potential homebuyers. As the availability of mortgage loans declines and the inventory of new and used homes remains at elevated levels, buyers of homes in backlog may have difficulty selling their homes, which results in slower new sales absorptions and high cancellation rates. Each cancellation results in a reduction of backlog. As a result, increased cancellation rates result in reductions to backlog. Continued reduced levels of backlog will produce less revenue in the future which could also result in additional asset impairment charges and lower levels of liquidity.

FINANCIAL CONDITION AND LIQUIDITY:

Our sources of cash liquidity include, but are not limited to, cash from operations, amounts available under credit facilities, proceeds from senior notes and other bank borrowings, the issuance of equity securities and other external sources of funds. Our short-term and long-term liquidity depend primarily upon our level of net income, working capital management (accounts receivable, accounts payable and other liabilities) and bank borrowings.

We reduced our Revolving Credit Facility during fiscal 2008 as we transitioned from an unsecured facility to a secured facility in response to the decline in our business. Our available liquidity from our facility was reduced in this process due to the limited pool of assets pledged as collateral. We intend to add additional real estate assets to the facility as collateral over the next six months upon the completion of the required appraisals and bank review. In order to adjust to the decrease in new orders resulting from the deterioration in the homebuilding market, we have significantly reduced our fixed costs, through headcount reductions, office consolidations and other cost reduction initiatives, a reduction in land acquisition and development expenditures, closed homebuilding divisions in non-core markets and sold inventory assets not deemed strategic to our future homebuilding activities. These activities have reduced the near term liquidity required to fund our operations while cash has been generated from the sale of inventory assets. We are selectively investing in real estate assets as we position the Company for the eventual industry recovery. We have a short term focus on preserving cash which will provide us with the liquidity we need to fund our operations as we build availability under our facility. In addition, in December 2007, we suspended our dividend payments and share repurchase program and any resumption of such programs will be at the discretion of the Board of Directors. During the second quarter of fiscal 2008, we discontinued our mortgage operations and entered into an exclusive preferred lender arrangement with a national third-party mortgage provider. In its most profitable year, our mortgage operations generated approximately $10 million in cash and, therefore, the discontinuation of our mortgage operations is not expected to have a material impact on our future liquidity.

We have generated in excess of $90 million of cash during the fourth quarter of fiscal 2008 as a result of the sale of certain assets that do not fit with our future homebuilding plans in various markets. Specifically, in July 2008, we completed the sale of two condominium projects in Virginia to third parties recognizing cash proceeds of approximately $85 million.

We believe that our current and available short-term and long-term capital resources are sufficient to fund our reduced level of capital expenditures and working capital requirements, our scheduled debt payments, and our interest and tax obligations for the next twelve months. However, any material variance from our projected operating results or land investments, or investments in or acquisitions of businesses, or any reduction in availability under our Revolving Credit Facility, as described in more detail below, could require us to obtain additional equity or debt financing. Any such additional equity or debt financing may be on terms less favorable or at higher costs than our current financing sources, depending on future market conditions and other factors including any possible downgrades in our credit ratings or adverse commentaries issued by rating agencies in the future.

At June 30, 2008, we had cash and cash equivalents of $314.2 million, compared to $454.3 million at September 30, 2007. The decrease in cash was due primarily to the repayment of certain secured notes payable, model home financing and debt issuance costs offset by cash provided by operating activities of $24.5 million relating primarily to the increase in income tax receivable and deferred income tax benefit. Our net cash provided by operating activities for the nine months ended June 30, 2008 was $24.5 million compared to cash provided by operations of $122.0 million in the same period of the prior year. Based on the applicable year's closings, as of June 30, 2008 and June 30, 2007, our land bank includes a 5.0 year supply of land/lots for future development. The years' supply in land bank remained flat as of June 30, 2008 when compared to June 30, 2007 primarily due to the decline in closings despite a 36% decrease in the number of lots in the ending land bank as of June 30, 2008 as compared to June 30, 2007. As the homebuilding market declined, we were successful in significantly reducing our land bank through the abandonment of lot option contracts, the sale of land assets not required in our homebuilding program and through the sale of new homes with only 3.6 years of owned land and lots for future homebuilding activities as of June 30, 2008. The decrease in land bank from June 30, 2007 to June 30, 2008 related to our decision to eliminate non-strategic positions to align our land supply with our expectations for future home closings. Net cash used in investing activities was $14.8 million for the nine months ended June 30, 2008 compared to $41.5 million for the comparable period of fiscal 2007, as we invested in unconsolidated joint ventures, albeit to a lesser extent, to support our land acquisition strategy and incurred capital expenditures for model and sales office improvements to support our marketing efforts.

Net cash used in financing activities was $149.8 million for the nine months ended June 30, 2008 related primarily to the repayment of certain secured notes payable and model home financing obligations and the payment of debt issuance costs. Net cash used in financing activities was $124.2 million for the nine months ended June 30, 2007 and consisted primarily of net borrowings under credit facilities and warehouse line of $74.1 million, repurchase of Senior Notes and other secured notes payable of $44.8 million and dividends paid of $11.7 million.

At June 30, 2008 we had the following borrowings *(in thousands)*:

	Maturity Date	**June 30, 2008**	September 30, 2007
Revolving Credit Facility	July 2011	**$ —**	$ —
8 5/8% Senior Notes*	May 2011	**180,000**	180,000
8 3/8% Senior Notes*	April 2012	**340,000**	340,000
6 1/2% Senior Notes*	November 2013	**200,000**	200,000
6 7/8% Senior Notes*	July 2015	**350,000**	350,000
8 1/8% Senior Notes*	June 2016	**275,000**	275,000
4 5/8% Convertible Senior Notes*	June 2024	**180,000**	180,000
Junior subordinated notes	July 2036	**103,093**	103,093
Other secured notes payable	Various Dates	**50,388**	118,073
Model home financing obligations	Various Dates	**86,388**	114,116
Unamortized debt discounts		**(2,682)**	(3,033)
Total		**$ 1,762,187**	$ 1,857,249

* Collectively, the "Senior Notes"

Warehouse Line —Effective February 7, 2007, Beazer Mortgage amended its 364-day credit agreement (the "Warehouse Line") to extend its maturity date to February 8, 2008 and modify the maximum available borrowing capacity to $100 million, subject to compliance with the mortgage loan eligibility requirements as defined in the Warehouse Line. The Warehouse Line was secured by certain mortgage loan sales and related property. The Warehouse Line was entered into with a number of banks to fund the origination of residential mortgage loans. The maximum available borrowing capacity was subsequently reduced through amendments down to $17 million as of September 30, 2007. We had no borrowings outstanding under the Warehouse Line as of September 30, 2007. The Warehouse Line was not guaranteed by Beazer Homes USA, Inc. or any of its subsidiaries that are guarantors of the Senior Notes or Revolving Credit Facility. Effective November 14, 2007, we terminated the Warehouse Line, at which time there were no borrowings outstanding.

Revolving Credit Facility — In July 2007, we replaced our former credit facility with a new $500 million, four-year unsecured revolving credit facility (the "Revolving Credit Facility") with a group of banks, which matures in 2011. As a result of a series of amendments, as more fully described below, the Revolving Credit Facility is now a $400 million secured revolving credit facility. The former credit facility included a $1 billion four-year revolving credit facility which would have matured in August 2009. The Revolving Credit Facility has a $350 million sublimit for the issuance of standby letters of credit. We have the option to elect two types of loans under the Revolving Credit Facility which incur interest as applicable based on either the Alternative Base Rate or the Applicable Eurodollar Margin (both defined in the Revolving Credit Facility). The Revolving Credit Facility contains various operating and financial covenants. Substantially all of our significant subsidiaries are guarantors of the obligations under the Revolving Credit Facility (see Note 12).

We fulfill our short-term cash requirements with cash generated from our operations and funds available from our Revolving Credit Facility. There were no amounts outstanding under the Revolving Credit Facility at June 30, 2008 or September 30, 2007; however, we had $71.5 million and $133.3 million of letters of credit outstanding under the Revolving Credit Facility at June 30, 2008 and September 30, 2007, respectively.

On October 10, 2007, we entered into a waiver and amendment of our Revolving Credit Facility, waiving events of default through May 15, 2008 under the facility arising from our failure to file or deliver reports or other information we would be required to file with the SEC and our decision to restate our financial statements. Under this and the October 26, 2007 amendments, all obligations under the Revolving Credit Facility are secured by certain assets and our ability to borrow under this facility is subject to satisfaction of a secured borrowing base. We are permitted to grow the borrowing base by adding additional cash and/or real estate as collateral securing the Revolving Credit Facility. In addition, we obtained additional flexibility with respect to our financial covenants in the Revolving Credit Facility.

On May 13, 2008 and June 30, 2008, we obtained limited waivers which relaxed, through August 15, 2008, our minimum consolidated tangible net worth and maximum leverage ratio requirements under our Revolving Credit Facility. During the term of the limited waivers, the minimum consolidated tangible net worth could not be less than $700 million and the leverage ratio could not exceed 2.50 to 1.00.

On August 7, 2008, we entered into an amendment to our Revolving Credit Facility which changed the size, covenants and pricing for the facility. The size of the Revolving Credit Facility was reduced from $500 million to $400 million and is subject to further reductions to $250 million and $100 million if our consolidated tangible net worth (defined in the agreement as stockholders' equity less intangible assets) falls below $350 million and $250 million, respectively. As of June 30, 2008, our consolidated tangible net worth was $784.2 million. The facility size is also subject to reduction to $250 million if our leverage ratio (defined in the agreement as the ratio of consolidated debt (net of average unrestricted cash in excess of $20 million) to consolidated tangible net worth) exceeds 5.0x (or 3.5x excluding the effect of any deferred tax valuation allowance). Our leverage ratio at June 30, 2008 was 2.19x. Further, the facility size is subject to reduction to $200 million if our interest coverage ratio for the quarter ending June 30, 2010 is less than 1.0x.

Availability under the facility continues to be subject to satisfaction of a secured borrowing base. The amendment provides that the book value of the assets securing the facility must exceed 3.0x the outstanding loans and letters of credit. Such coverage level increases to 4.5x and 6.0x to the extent the facility size is reduced to $250 million or $100 million, respectively. At June 30, 2008, we had available borrowing capacity of $90.7 million under the Revolving Credit Facility. At August 7, 2008, after giving effect to the amendment, we had no additional available borrowing capacity. However, we expect to add more real estate assets to the borrowing base over the next six months in order to increase our availability thereunder, which becomes available after the required appraisals and other bank review procedures are completed. The availability under our facility is not impacted by any actions of the respective credit rating agencies.

The interest margins under the Revolving Credit Facility were increased and are now based on the facility size. The Eurodollar Margin under the facility is now 4.5%. To the extent the facility size is reduced to $250 million or $100 million, the Eurodollar Margin will increase to 5.0% and 5.5%, respectively.

The financial maintenance covenants pertaining to the leverage ratio, interest coverage ratio and land inventory were eliminated as part of the August amendment. The remaining financial maintenance covenants are a minimum tangible net worth covenant (which requires us to have at least $100 million of consolidated tangible net worth) and a minimum liquidity covenant. The minimum liquidity covenant, which is applicable for so long as our interest coverage ratio is less than 1.75x, requires us to maintain either (a) $120 million of unrestricted cash and borrowing base availability or (b) a ratio (the "Adjusted Coverage Ratio") of adjusted cash flow from operations (defined as cash flow from operations plus interest incurred) to interest incurred of at least 1.75x. The following table sets forth our financial covenant requirements under our Revolving Credit Facility and our compliance as if such covenants were in place as of June 30, 2008:

Financial Covenant	Covenant Requirement	Actual
Consolidated Tangible Net Worth	> $100 million	$784.2 million
Minimum Liquidity	> $120 million of unrestricted cash and borrowing base availability OR Adjusted Coverage Ratio > 1.75x	$314.2 million of unrestricted cash and borrowing base availability and Adjusted Coverage Ratio of 3.94x

We believe that the elimination and relaxation of the financial maintenance covenants will permit us to comply with the amended covenants for the foreseeable future. However, further deteriorations in the housing market generally, or in our business particularly, could result in our

having to seek additional amendments or waivers under the Revolving Credit Facility. To the extent that we default any of these covenants and we are unable to obtain waivers, the lenders under the Revolving Credit Facility could accelerate our obligations thereunder. Any such acceleration would result in an event of default under our Senior Notes described below and would permit the holders thereof to accelerate our obligations under the Senior Notes.

Senior Notes — The Senior Notes are unsecured 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 are jointly and severally liable for obligations under the Senior Notes and the Revolving Credit Facility. Each guarantor subsidiary is a 100% owned subsidiary of Beazer Homes.

The indentures under which the Senior Notes were issued contain certain restrictive covenants, including limitations on payment of dividends. At June 30, 2008, under the most restrictive covenants of each indenture, no portion of our retained earnings was available for cash dividends or for share repurchases. Each indenture provides that, in the event of defined changes in control or if our consolidated tangible net worth falls below a specified level or in certain circumstances upon a sale of assets, we are required to offer to repurchase certain specified amounts of outstanding Senior Notes.

In March 2007, we voluntarily repurchased $10.0 million of our outstanding 8 5/8% Senior Notes and $10.0 million of our outstanding 8 3/8% Senior Notes on the open market. The aggregate purchase price was $20.6 million, or an average of 102.8% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest as of the purchase date. The repurchase of the notes resulted in a $562,500 pretax loss during the second quarter of fiscal 2007. On March 28, 2007, we repurchased an additional $10.0 million of our outstanding 8 5/8% Senior Notes which were cash settled on April 2, 2007 at a purchase price of $9.85 million, or an average of 98.5% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest as of the purchase date. The repurchase of the notes resulted in a $150,000 pre-tax gain during the third quarter of fiscal 2007. Gains/losses from notes repurchased are included in other (expense) income, net in the accompanying unaudited condensed consolidated statements of operations. Senior Notes purchased by the Company were cancelled.

On October 26, 2007, we obtained consents from holders of our Senior Notes to approve amendments of the indentures under which the Senior Notes were issued. These amendments restrict our ability to secure additional debt in excess of $700 million until certain conditions are met and enable us to invest up to $50 million in joint ventures. The consents also provided us with a waiver of any and all defaults under the Senior Notes that may have occurred on or prior to May 15, 2008 relating to filing or delivering annual and quarterly financial statements. Fees and expenses related to obtaining these consents totaled approximately $21 million. The recording of such fees and expenses has been deferred and will be amortized as an adjustment to interest expense in accordance with EITF 96-19 — “Debtor’s Accounting for a Modification or Exchange of Debt Instruments.”

Junior Subordinated Notes — On June 15, 2006, we completed a private placement of $103.1 million of unsecured junior subordinated notes which mature on July 30, 2036 and are redeemable at par on or after July 30, 2011 and pay a fixed rate of 7.987% for the first ten years ending July 30, 2016. Thereafter, the securities have a floating interest rate equal to three-month LIBOR plus 2.45% per annum, resetting quarterly. These notes were issued to Beazer Capital Trust I, which simultaneously issued, in a private transaction, trust preferred securities and common securities with an aggregate value of $103.1 million to fund its purchase of these notes. The transaction is treated as debt in accordance with GAAP. The obligations relating to these notes and the related securities are subordinated to the Revolving Credit Facility and the Senior Notes.

On April 30, 2008, we received a default notice from The Bank of New York Trust Company, National Association, the trustee under the indenture governing these junior subordinated notes. The notice alleged that we were in default under the indenture because we had not yet furnished certain required information (including our annual audited and quarterly unaudited financial statements). The notice further alleged that this default would become an event of default under the indenture if not remedied within 30 days. The Company subsequently delivered the information that was subject to the default notice thereby curing any alleged default that may have occurred.

Other Secured Notes Payable — We periodically acquire land through the issuance of notes payable. As of June 30, 2008 and September 30, 2007, we had outstanding notes payable of $50.4 million and $118.1 million, respectively, primarily related to land acquisitions. These notes payable expire at various times through 2010 and had fixed and variable rates ranging from 5.4% to 8.0% at June 30, 2008. These notes are secured by the real estate to which they relate. During the first nine months of fiscal 2008, we repaid

$100.5 million of these secured notes payable. In connection with the sale of our interest in two joint ventures to our joint venture partner, we also acquired that partner's interest in two separate joint ventures. In connection with the acquisition of one of these ventures, we assumed the joint venture's debt of approximately $22.7 million which is included in other secured notes payable as of June 30, 2008.

Model Home Financing Obligations - Due to a continuing interest in certain model home sale-leaseback transactions, we have recorded $86.4 million and $114.1 million of debt as of June 30, 2008 and September 30, 2007, respectively, related to these "financing" transactions in accordance with SFAS 98 (As amended), *Accounting for Leases.* These model home transactions incur interest at a variable rate of one-month LIBOR plus 450 basis points, 7.0% as of June 30, 2008, and expire at various times through 2015.

Stock Repurchases and Dividends Paid — On November 18, 2005, as part of an acceleration of Beazer Homes' comprehensive plan to enhance stockholder value, our Board of Directors authorized an increase in our stock repurchase plan to ten million shares of our common stock. Shares may be purchased for cash in the open market, on the NYSE, or in privately negotiated transactions. We did not repurchase any shares in the open market during the three or nine months ended June 30, 2008 and 2007. At June 30, 2008, we are authorized to purchase approximately 5.4 million additional shares pursuant to the plan. In December 2007, we suspended our repurchase program and any resumption of such program will be at the discretion of the Board of Directors and is unlikely in the foreseeable future.

For the nine months ended June 30, 2007, we paid quarterly cash dividends of $0.10 per common share, or a total of approximately $11.7 million. We did not pay any dividends for the nine months ended June 30, 2008. On November 2, 2007, our Board of Directors suspended our dividend payments. The Board concluded that suspending dividends, which will allow us to conserve approximately $16 million of cash annually, was a prudent effort in light of the continued deterioration of the housing market.

Off-Balance Sheet Arrangements and Aggregate Contractual Commitments — We historically have attempted to control half or more of our land supply through option contracts. 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. Option contracts generally require the payment of cash or the posting of a letter of credit for the right to acquire lots during a specified period of time at a certain price. Under option contracts, both with and without specific performance provisions, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Our obligations with respect to options with specific performance provisions are included in our unaudited condensed consolidated balance sheets in other liabilities. Under option contracts without specific performance obligations, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately $76.7 million at June 30, 2008. This amount includes non-refundable letters of credit of approximately $12.8 million. The total remaining purchase price, net of cash deposits, committed under all options was $861.6 million as of June 30, 2008. Only $34.8 million of total remaining purchase price under such options contains specific performance clauses which may require us to purchase the land or lots upon the land seller meeting certain obligations.

We expect to exercise substantially all of our option contracts with specific performance obligations and, subject to market conditions, most of our option contracts without specific performance obligations. Various factors, some of which are beyond our control, such as market conditions, weather conditions and the timing of the completion of development activities, can have a significant impact on the timing of option exercises or whether land options will be exercised.

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

Certain of our option contracts are with sellers who are deemed to be Variable Interest Entities ("VIE"s) under FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R"). We have determined that we are the primary beneficiary of certain of these option contracts. Our risk is generally limited to the option deposits that we pay, and creditors of the sellers generally have no recourse to the general credit of the Company. Although we do not have legal title to the optioned land, for those option contracts for which we are the primary beneficiary, we are required to consolidate the land under option at fair value. We believe that the exercise prices of our option contracts approximate their fair value. Our condensed consolidated balance sheets at June 30, 2008 and September 30, 2007 reflect consolidated inventory not owned of $120.3 million and

$237.4 million, respectively. We consolidated $37.1 million and $92.3 million of lot option agreements as consolidated inventory not owned pursuant to FIN 46R as of June 30, 2008 and September 30, 2007, respectively. In addition, as of June 30, 2008 and September 30, 2007, we recorded $83.3 million and $145.1 million, respectively, of land under the caption "consolidated inventory not owned" related to lot option agreements in accordance with SFAS 49, *Product Financing Arrangements*. Obligations related to consolidated inventory not owned totaled $83.0 million at June 30, 2008 and $177.9 million at September 30, 2007. The difference between the balances of consolidated inventory not owned and obligations related to consolidated inventory not owned represents cash deposits paid under the option agreements.

We participate in a number of land development joint ventures in which we have less than a controlling interest. We enter into joint ventures in order to acquire attractive land positions, to manage our risk profile and to leverage our capital base. Our joint ventures are typically entered into with developers, other homebuilders and financial partners to develop finished lots for sale to the joint venture's members and other third parties. We account for our interest in these joint ventures under the equity method. Our condensed consolidated balance sheets include investments in joint ventures totaling $37.7 million and $109.1 million at June 30, 2008 and September 30, 2007, respectively.

Our joint ventures typically obtain secured acquisition and development financing. At June 30, 2008, our unconsolidated joint ventures had borrowings outstanding totaling $640.2 million. In some instances, we and our joint venture partners have provided varying levels of guarantees of debt of our unconsolidated joint ventures. At June 30, 2008, we had repayment guarantees totaling $39.1 million and loan-to-value maintenance guarantees of $6.0 million related to certain of our unconsolidated joint ventures' debt (see Notes 4 and 9 to the unaudited condensed consolidated financial statements for additional information regarding our joint ventures and related guarantees).

CRITICAL ACCOUNTING POLICIES:

As discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2007, some of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters and relate to inventory valuation, goodwill, homebuilding revenues and costs, warranty reserves, investments in unconsolidated joint ventures and income taxes — valuation allowance. Although our accounting policies are in compliance with accounting principles generally accepted in the United States of America, a change in the facts and circumstances of the underlying transactions could significantly change the application of the accounting policies and the resulting financial statement impact. There have been no material changes to our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended September 30, 2007.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a number of market risks in the ordinary course of business. Our primary market risk exposure relates to fluctuations in interest rates. We do not believe that our exposure in this area is material to cash flows or earnings. As of June 30, 2008, we had $124.9 million of variable rate debt outstanding. Based on our average outstanding borrowings under our variable rate debt at June 30, 2008, a one-percentage point increase in interest rates would negatively impact our annual pre-tax earnings by approximately $1.2 million.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management, under the supervision and with the participation of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Act), as of the end of period covered by this report. Management concluded that, as of June 30, 2008, the Company's disclosure controls and procedures were not effective primarily because of the identification of material weaknesses in our internal control over financial reporting, further described below and in Item 9A of our fiscal 2007 Form 10-K, which we view as an integral part of our disclosure controls and procedures. In addition, our disclosure controls and procedures not relating to internal control over financial reporting were not sufficiently documented and were not designed to require all accounting and financial employees, and other corporate employees with specific knowledge of, or responsibility for, other disclosures to complete quarterly certifications (management representations).

Based on a number of factors, including the completion of the Audit Committee's investigation, our internal review that identified revisions to our previously issued financial statements, efforts to remediate the material weaknesses in internal control over financial reporting described below, and the performance of additional procedures by management designed to ensure the reliability of our financial reporting, we believe that the unaudited condensed consolidated financial statements in this Report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented, in conformity with accounting principles generally accepted in the United States of America ("GAAP").

We have reviewed and are implementing additional disclosure controls and procedures. This includes expanding the Disclosure Committee to include representatives from Operations, Compliance, and Audit and Controls. In addition, a formal Disclosure Committee charter and formal written disclosure controls and procedures was implemented in the third quarter of fiscal 2008. Further, we have implemented an enhanced quarterly certification (management representation) process that will include not just the signoff by executive management and the business unit executives, but also by managers of the corporate finance departments, senior leadership at the corporate office, and other business and finance employees who are significantly involved in the financial reporting process. These new processes will help ensure Company employees at various levels make full and complete representations concerning, and assume accountability for, the accuracy and integrity of our financial statements and other public disclosures.

Attached as exhibits to this Quarterly Report on Form 10-Q 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.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The Company has identified the following control deficiencies that constituted material weaknesses:

Control Environment — The control environment, which is the responsibility of senior management, sets the tone of the organization, influences the actions of its employees, and is the foundation for all other components of internal control over financial reporting. We did not maintain an effective control environment. The Company identified the following deficiencies in our control environment, each of which is considered to be a material weakness:

- Code of Conduct Violations

  The operating effectiveness of the Company's Code of Business Conduct and Ethics Policy (the "Code"), which governs the execution by our employees of their duties and responsibilities within established procedures, was deficient. As a result, the Code was not consistently and strictly adhered to, including by certain of the Company's former officers, and violations of the Code were not promptly and appropriately reported. This deficiency led to an environment where improper and erroneous accounting information was utilized related to certain transactions and financial statement matters and inappropriate decisions could have been made, and were made, including with respect to certain model home sale-leaseback transactions and certain home closings in California, that were not in accordance with GAAP.

- Compliance With Laws and Regulations

  The design of the Company's controls related to our mortgage origination practices was not sufficient to ensure compliance with all applicable laws, rules, and regulations, or to enable a determination of the financial statement impact of such violations to the Company's financial statement amounts and disclosures. This resulted in the violation of certain applicable federal and/or state regulations, and could result in reimbursement of losses and payment of regulatory and/or criminal fines.

- Segregation of Duties

  Our former Chief Accounting Officer had primary review and oversight responsibilities for many financial reporting activities and controls designed to ensure the accuracy of our financial statements. This lack of segregation of duties was a deficiency in the design of our internal control over financial reporting that allowed for improprieties or errors in the application of accounting practices to go undetected.

- Management Override and Collusion

  Based on the results of the independent investigation by the Audit Committee, we believe that our former Chief Accounting Officer caused or permitted deficiencies to occur in the operating effectiveness of our internal controls through the override of certain documentation and financial accounting and reporting controls. In addition, the results of the investigation uncovered collusion with some of the Company's business unit employees to inappropriately manipulate earnings.

Accounting Policy, Procedures, and Controls — There was a material weakness in the design of accounting policies, procedures, and controls specifically related to the application of GAAP in accounting for certain estimates involving significant management judgments. Specifically our policies did not:

- Establish objective guidelines that should be applied in the determination of certain accruals;
- Require detailed analyses and review of certain subjective estimates;
- Require significant estimates and related assumptions to be documented and approved;
- Require dual approval for material journal entries that directly impact earnings through the adjustment of accruals and reserves;
- Establish consistent guidelines for the compilation of financial and operational reports; and
- Provide visibility into accruals and estimates which were recorded in the consolidated financial statements in amounts that were different from the sum of such accruals recorded at a divisional level.

The material weaknesses described above resulted in the restatement of our annual financial statements for fiscal years 1998-2006 and our quarterly financial statements for the quarters ended December 31, 2006 and March 31, 2007. These material weaknesses had the following impacts on the Company's financial reporting:

- Inappropriate reserves and other accrued liabilities were recorded relating to land development costs, house construction costs and warranty accruals. These errors were caused by a failure to require a determination and documentation of the reasonableness of the assumptions used to develop such estimates of future expenditures for land development, house construction and warranty claims.
- Asset impairments were misstated because certain assumptions used to calculate impairments, indirect costs and capitalized interest were improper or inaccurate.
- The accounting for certain model home sale and leaseback agreements was not in compliance with GAAP. GAAP does not permit a sale of real estate to be recognized if the seller has a continuing involvement in the real estate sold. The Company's arrangement for certain sale and leaseback transactions included various forms of continuing involvement which prevented the Company from accounting for the transactions as sales.
- Certain sale and leaseback agreements entered into by the former Chief Accounting Officer were not properly documented and considered in the evaluation of the accounting for the transaction.
- Certain home closings in California were not reflected in the Company's accounting records in the proper accounting periods.

Change in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the following:

- An "Awareness Campaign" was launched in May 2008 in order to introduce all employees to the new Ethics Hotline process and to encourage reporting of all concerns.
- We have designed and/or clarified and implemented several accounting policies related to estimates involving significant management judgments. We are continuing to design and/or clarify and implement additional policies related to other financial reporting areas to ensure that we have the appropriate review and approval, defining minimum documentation requirements, establishing objective guidelines to minimize the degree of judgment in the determination of certain accruals, enforcing consistent reporting practices, and enabling effective account reconciliation, trend analyses, and exception reporting capabilities.
- We launched a comprehensive training program in April 2008 that emphasizes adherence to and the vital importance of the Company's Code of Business Conduct and Ethics. Every employee in the Company is required to participate in the training program which was developed by an outside company that specializes in ethics and other employee training programs.

Remediation Steps to Address Material Weaknesses

The Company's executive, regional and financial management are committed to achieving and maintaining a strong control environment and an overall tone within the organization that empowers all employees to act with the highest standards of ethical conduct. In addition, management remains committed to the process of developing and implementing improved corporate governance and compliance initiatives. In addition to the changes in internal control over financial reporting described above and in our Quarterly Reports on Form 10-Q for the quarters ended December 31, 2007 and March 31, 2008, our current management team has been actively working on remediation efforts to address the material weaknesses, as well as other identified areas of risk as follows:

- The Chief Accounting Officer and Regional CFOs are taking, or plan to take in the near term, the following additional actions:
  - Conducting reviews of accounting processes to incorporate technology improvements to strengthen the design and operation of controls;
  - Formalizing the process, analytics, and documentation around the monthly analysis of actual results against budgets and forecasts conducted within the accounting and finance departments;
  - Improving quality control reviews within the accounting function to ensure account analyses and reconciliations are completed accurately, timely, and with proper management review;
  - Formalizing and expanding the documentation of the Company's procedures for review and oversight of financial reporting.
- We are continuing to develop and/or clarify existing accounting policies related to estimates involving significant management judgments, as well as other financial reporting areas. The new policies will focus on ensuring appropriate review and approval, defining minimum documentation requirements, establishing objective guidelines to minimize the degree of judgment in the determination of certain accruals, enforcing consistent reporting practices, and enabling effective account reconciliation, trend analyses, and exception reporting capabilities.

We believe the measures described above, once designed and operating effectively, will remediate the material weaknesses we have identified and strengthen our internal control over financial reporting. We are committed to continuing to improve our internal control processes and will diligently and vigorously review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional remediation measures or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Investigations

United States Attorney, State and Federal Agency Investigations. Beazer Homes and its subsidiary, Beazer Mortgage Corporation, are under criminal and civil investigations by the United States Attorney's Office in the Western District of North Carolina and other state and federal agencies concerning the matters that were the subject of the independent investigation by the Audit Committee of the Beazer Homes' Board of Directors as described in Notes 14 and 17 to the consolidated financial statements included in Item 8 of our 2007 Form 10-K. The Company is fully cooperating with these investigations.

Securities and Exchange Commission Investigation. On July 20, 2007, Beazer Homes received from the SEC a formal order of private investigation to determine whether Beazer Homes and/or other persons or entities involved with Beazer Homes have violated federal securities laws, including, among others, the anti-fraud, books and records, internal accounting controls, periodic reporting and certification provisions thereof. The SEC had previously initiated an informal investigation in this matter in May 2007. The Company is fully cooperating with the SEC investigation.

Independent Investigation. The Audit Committee of the Beazer Homes Board of Directors has completed an independent investigation (the "Investigation") of Beazer Homes' mortgage origination business, including, among other things, investigating certain evidence that the Company's subsidiary, Beazer Mortgage Corporation, violated U.S. Department of Housing and Urban Development ("HUD") regulations and may have violated certain other laws and regulations in connection with certain of its mortgage origination activities. The results of the Investigation are fully described in Notes 14 and 17 to the consolidated financial statements included in Item 8 of our fiscal 2007 Form 10-K.

Mortgage Origination Issues

The Investigation found evidence that employees of the Company's Beazer Mortgage Corporation subsidiary violated certain federal and/or state regulations, including U.S. Department of Housing and Urban Development ("HUD") regulations. Areas of concern uncovered by the Investigation include: down payment assistance programs; the charging of discount points; the closure of certain HUD Licenses; closing accommodations; and the payment of a number of realtor bonuses and decorator allowances in certain Federal Housing Administration ("FHA") insured loans and non-FHA conventional loans originated by Beazer Mortgage dating back to at least 2000. The Investigation also uncovered limited improper practices in relation to the issuance of a number of non-FHA Stated Income Loans. We reviewed the loan documents and supporting documentations and determined that the assets were effectively isolated from the seller and its creditors (even in the event of bankruptcy). Based on that information, management continues to believe that sale accounting at the time of the transfer of the loans to third parties was appropriate.

We intend to attempt to negotiate a settlement with prosecutors and regulatory authorities that would allow us to quantify our exposure associated with reimbursement of losses and payment of regulatory and/or criminal fines, if they are imposed. See Notes 14 and 17 to the consolidated financial statements included in Item 8 of our 2007 Form 10-K for additional discussion of this matter. At this time, we believe that although it is probable that a liability exists related to this exposure, it is not reasonably estimable and would be inappropriate to record a liability as of June 30, 2008.

Effective February 1, 2008, we exited the mortgage origination business and entered into an exclusive preferred lender arrangement with a national third-party mortgage provider. This exclusive arrangement will continue to offer our homebuyers the option of a simplified financing process while enabling us to focus on our core competency of homebuilding.

Litigation

Securities Class Action. Beazer Homes and certain of our current and former officers (the "Individual Defendants"), as well as our Independent Registered Accounting Firm, are named as defendants in putative class action securities litigation pending in the United States District Court for the Northern District of Georgia. Three separate complaints were initially filed between March 29 and May 21, 2007. The cases were subsequently consolidated by the court and the court appointed Glickenhaus & Co. and Carpenters Pension Trust Fund for Northern California as lead plaintiffs. On June 27, 2008, lead plaintiffs filed an Amended and Consolidated Class Action Complaint for Violation of the Federal Securities Laws ("Consolidated Complaint"), which purports to assert claims on behalf of a class of persons and entities that purchased or acquired the securities of Beazer Homes during the period January 27, 2005 through May 12, 2008. The Consolidated Complaint asserts a claim against the defendants under Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder for allegedly making materially false and misleading statements regarding our business and prospects, including, among other things, alleged misrepresentations and omissions related to alleged improper lending practices in our mortgage origination business, alleged misrepresentations and omissions related to improper revenue recognition and other accounting improprieties and alleged misrepresentations and omissions concerning our land investments and inventory. The Consolidated Complaint also asserts claims against the Individual Defendants under Sections 20(a) and 20A of the Exchange Act. Lead plaintiffs seek a determination that the action is properly maintained as a class action, an unspecified amount of compensatory damages and costs and expenses, including attorneys' fees. The Company intends to vigorously defend against these actions.

Derivative Shareholder Actions. Certain of Beazer Homes' current and former officers and directors were named as defendants in a derivative shareholder suit filed on April 16, 2007 in the United States District Court for the Northern District of Georgia. The complaint also names Beazer Homes as a nominal defendant. The complaint, purportedly on behalf of Beazer Homes, alleges that the defendants (i) violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder; (ii) breached their fiduciary duties and misappropriated information; (iii) abused their control; (iv) wasted corporate assets; and (v) were unjustly enriched. Plaintiffs seek an unspecified amount of compensatory damages against the individual defendants and in favor of Beazer Homes. An additional lawsuit was filed subsequently on August 29, 2007 in the United States District Court for the Northern District of Georgia asserting similar factual allegations. A motion to consolidate the two Georgia derivative actions is pending, and the plaintiffs are expected to designate the operative complaint within five days after the court consolidates the actions. Additionally, on September 12, 2007, another derivative suit was filed in Delaware Chancery Court, and the plaintiffs filed an amended complaint in that Delaware action on October 26, 2007. The Delaware complaint raises similar factual and legal claims as those asserted by the plaintiffs in the Georgia derivative actions. The defendants have moved to dismiss the Delaware action, or in the alternative, to stay the case pending resolution of the derivative litigation pending in Georgia. The defendants intend to vigorously defend against these actions.

ERISA Class Actions. On April 30, 2007, a putative class action complaint was filed on behalf of a purported class consisting of present and former participants and beneficiaries of the Beazer Homes USA, Inc. 401(k) Plan. The complaint was filed in the United States District Court for the Northern District of Georgia. The complaint alleges breach of fiduciary duties, including those set forth in the Employee Retirement Income Security Act ("ERISA"), as a result of the investment of retirement monies held by the 401(k) Plan in common stock of Beazer Homes at a time when participants were allegedly not provided timely, accurate and complete information concerning Beazer Homes. Four additional lawsuits were filed subsequently on May 11, 2007, May 14, 2007, June 15, 2007 and July 27, 2007 in the United States District Court for the Northern District of Georgia making similar allegations. The court consolidated these five lawsuits, and on June 27, 2008, the plaintiffs filed a consolidated amended complaint. The consolidated amended complaint names as defendants Beazer Homes, our chief executive officer, certain current and former directors of the Company, including the members of the Compensation Committee of the Board of Directors, and certain employees of the Company who acted as members of the Company's 401(k) Committee. The Company intends to vigorously defend against these actions.

Homeowners Class Action Lawsuits and Multi-Plaintiff Lawsuit. Beazer Homes' subsidiaries, Beazer Homes Corp. and Beazer Mortgage Corporation, were named as defendants in a putative class action lawsuit filed on March 23, 2007 in the General Court of Justice, Superior Court Division, County of Mecklenburg, North Carolina. The case was removed to the U.S. District Court for the Western District of North Carolina, Charlotte Division. The complaint was filed as a putative class action. The purported class is defined as North Carolina residents who purchased homes in subdivisions in North Carolina containing homes constructed by the defendants where the foreclosure rate is allegedly significantly higher than the state-wide average. The complaint alleged that the defendants utilized unfair trade practices to allow low-income purchasers to qualify for loans they allegedly could not afford, resulting in foreclosures that allegedly diminished plaintiffs' property values. Plaintiffs sought an unspecified amount of compensatory damages and also requested that any damage award be trebled. On April 25, 2008, the District Court granted the defendants' motion to dismiss and dismissed all causes of action with prejudice. Plaintiffs appealed the dismissal to the United States Court of Appeals for the Fourth Circuit. On July 21, 2008, Plaintiffs filed a consent motion to dismiss the appeal with prejudice, and the Court of Appeals entered an order of dismissal and mandate the same day. This case is now concluded.

A second putative homeowner class action lawsuit was filed on April 23, 2007 in the United States District Court for the District of South Carolina, Columbia Division. The complaint alleged that Beazer Homes Corp. and Beazer Mortgage Corporation illegally facilitated the financing of the purchase of homes sold to low-income purchasers, who allegedly would not have otherwise qualified for the loans. Certain of the plaintiffs also alleged that the defendants' practices resulted in foreclosures that allegedly diminished plaintiffs' property values. The complaint demanded an unspecified amount of damages, including damages for alleged violations of federal RICO statutes and punitive damages. The Company filed a motion to dismiss and the District Court dismissed all causes of action with prejudice on September 10, 2007. The plaintiffs subsequently filed a motion for reconsideration which the District Court denied. The plaintiffs did not file a notice of appeal, and this case is now concluded.

An additional putative class action was filed on April 8, 2008 in the United States District Court for the Middle District of North Carolina, Salisbury Division, against Beazer Homes, U.S.A., Inc., Beazer Homes Corp. and Beazer Mortgage Corporation. The

Complaint alleges that Beazer violated the Real Estate Settlement Practices Act ("RESPA") and North Carolina Gen. Stat. § 75-1.1 by (1) improperly requiring homebuyers to use Beazer-owned mortgage and settlement services as part of a down payment assistance program, and (2) illegally increasing the cost of homes and settlement services sold by Beazer Homes Corp. The purported class consists of all residents of North Carolina who purchased a home from Beazer, using mortgage financing provided by and through Beazer that included seller-funded down payment assistance, between January 1, 2000 and October 11, 2007. The Complaint demands an unspecified amount of damages, various forms of equitable relief, treble damages, attorneys' fees and litigation expenses. The defendants moved to dismiss the Complaint on June 4, 2008. On July 25, 2008, in lieu of a response to the motion to dismiss, plaintiff filed an amended complaint. The Company has not yet filed a responsive pleading or motion, but intends to vigorously defend this action.

Beazer Homes Corp. and Beazer Mortgage Corporation are also named defendants in a lawsuit filed on July 3, 2007, in the General Court of Justice, Superior Court Division, County of Mecklenburg, North Carolina. The case was removed to the U.S. District Court for the Western District of North Carolina, Charlotte Division, but remanded on April 23, 2008 to the General Court of Justice, Superior Court Division, County of Mecklenburg, North Carolina. The complaint was filed on behalf of ten individual homeowners who purchased homes from Beazer in Mecklenburg County. The complaint alleges certain deceptive conduct by the defendants and brings various claims under North Carolina statutory and common law, including a claim for punitive damages. On June 27, 2008 a second amended complaint, which added two plaintiffs to the lawsuit, was filed. The case has been designated as "exceptional" pursuant to Rule 2.1 of the General Rules of Practice of the North Carolina Superior and District Courts and has been assigned to the docket of the North Carolina Business Court. The Company filed a motion to dismiss on July 30, 2008 and intends to vigorously defend against this action.

Beazer Homes' subsidiaries Beazer Homes Holdings Corp. and Beazer Mortgage Corporation were named as defendants in a putative class action lawsuit originally filed on March 12, 2008, in the Superior Court of the State of California, County of Placer. The lawsuit was amended on June 2, 2008 and named as defendants Beazer Homes Holding Corp., Beazer Homes USA, Inc., and Security Title Insurance Company. The purported class is defined as all persons who purchased a home from the defendants or their affiliates, with the assistance of a federally related mortgage loan, from March 25, 1999 to the present where Security Title Insurance Company received any money as a reinsurer of the transaction. The complaint alleges that the defendants violated RESPA and asserts claims under a number of state statutes alleging that defendants engaged in a uniform and systematic practice of giving and/or accepting fees and kickbacks to affiliated businesses including affiliated and/or recommended title insurance companies. The complaint also alleges a number of common law claims. Plaintiffs seek an unspecified amount of damages under RESPA, unspecified statutory, compensatory and punitive damages and injunctive and declaratory relief, as well as attorneys' fees and costs. Defendants removed the action to federal court. The Company intends to vigorously defend against the action.

For each of the above actions, no accrual has been recorded as of June 30, 2008 or September 30, 2007, as losses, if any, related to these matters are not both probable and estimable.

Bond Indenture Trustee Litigation. On September 10, 2007, we filed an Amended Complaint For Declaratory Judgment and Injunctive Relief in an action pending in the United States District Court in Atlanta, Georgia against the trustees under the indentures governing our outstanding senior and convertible senior notes. We sought, among other relief, a declaration from the court against the trustees that the delay in filing with the SEC our Form 10-Q for the quarterly period ended June 30, 2007 did not constitute a default under the applicable indentures and that the delay would not give rise to any right of acceleration on the part of the holders of the senior and convertible senior notes. On October 29, 2007, we notified the court and the trustees that we had successfully concluded a consent solicitation concerning the notes at issue. The consents provided us with a waiver of any and all defaults under the indentures at issue that may have occurred or may occur prior to May 15, 2008, due to our failure to file or deliver reports or other information we would be required to file with the SEC. On May 15, 2008, we completed the filing of all our previously past due periodic reports with the SEC. We thereafter delivered copies of all such reports to the trustees, pursuant to the applicable indentures. On June 25, 2008, the trustees and we filed a stipulation dismissing the litigation without prejudice. This case is now concluded.

We cannot predict or determine the timing or final outcome of the governmental investigations or the lawsuits or the effect that any adverse findings in the investigations or adverse determinations in the lawsuits may have on us. While we are cooperating with the governmental investigations, developments, including the expansion of the scope of the investigations, could negatively impact us and could divert the efforts and attention of our management team from the operation of our business and/or result in further departures of executives or other employees. An unfavorable determination resulting from any governmental investigation could result in the filing of criminal charges, the payment of substantial criminal or civil fines, the imposition of injunctions on our conduct or the imposition of other penalties or consequences, including the Company adjusting, curtailing or terminating the conduct of certain of our business operations. Any of these outcomes could have a material adverse effect on our business, financial condition, results of operations and prospects. An unfavorable determination in any of the 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 investigations and 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.

Other Matters

In November 2003, Beazer Homes received a request for information from the EPA pursuant to Section 308 of the Clean Water Act seeking information concerning the nature and extent of storm water discharge practices relating to certain of our projects completed or under construction. The EPA has since requested information on additional projects and has conducted site inspections at a number of locations. In certain instances, the EPA or the equivalent state agency has issued Administrative Orders identifying alleged instances of noncompliance and requiring corrective action to address the alleged deficiencies in storm water management practices. As of June 30, 2008, no monetary penalties have been imposed in connection with such Administrative Orders. The EPA has reserved the right to impose monetary penalties at a later date, the amount of which, if any, cannot currently be estimated. Beazer Homes has taken action to comply with the requirements of each of the Administrative Orders and is working to otherwise maintain compliance with the requirements of the Clean Water Act.

In 2006, we received two Administrative Orders issued by the New Jersey Department of Environmental Protection. The Orders allege certain violations of wetlands disturbance permits. The two Orders assess proposed fines of $630,000 and $678,000, respectively. We have met with the Department to discuss their concerns on the two affected projects and have requested hearings on both matters. We believe that we have significant defenses to the alleged violations and intend to contest the agency’s findings and the proposed fines. We are currently pursuing settlement discussions with the Department. A hearing before the judge has been postponed pending settlement discussions.

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 claims. 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 $18.5 million and $17.6 million in other liabilities related to these matters as of June 30, 2008 and September 30, 2007, respectively.

Item 5. Other Information

On August 7, 2008, the Company entered into an amendment to its Credit Agreement, dated as of July 25, 2007, among the Company, the lenders thereto and Wachovia Bank, National Association, as Agent. The material terms of the amendment are set forth above under “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Financial Condition and Liquidity - Revolving Credit Facility”. The amendment is attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

10.1	Third Amendment, dated as of August 7, 2008, to and under the Credit Agreement, dated as of July 25, 2007, among the Company, the lenders thereto and Wachovia Bank, National Association, as Agent
10.2	Amended and Restated 1999 Stock Incentive Plan (as amended through August 5, 2008)
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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Beazer Homes USA, Inc.
Date: August 8, 2008	By: /s/ Allan P. Merrill
	Name: Allan P. Merrill Executive Vice President and Chief Financial Officer

EXHIBIT 10.1

EXECUTION COPY

THIRD AMENDMENT

THIRD AMENDMENT, dated as of August 7, 2008 (this "Third Amendment"), to the Credit Agreement, dated as of July 25, 2007 (as heretofore amended, supplemented or otherwise modified, the "Credit Agreement"), among Beazer Homes USA, Inc., a Delaware corporation (the "Borrower"), the several lenders from time to time parties thereto (the "Lenders") and Wachovia Bank, National Association, as agent (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders and the Agent are parties to the Credit Agreement;

WHEREAS, the Borrower has requested that the Required Lenders amend the Credit Agreement, and the Required Lenders are agreeable to such request but only upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, and for other valuable consideration the receipt of which is hereby acknowledged, the Borrower, the Required Lenders, and the Agent agree as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, capitalized terms are used herein as defined in the Credit Agreement.

SECTION 2. AMENDMENTS.

2.1 Amendment to Section 1.01.

(a) Section 1.01 of the Credit Agreement is hereby amended by inserting the following new definitions in appropriate alphabetical order:

"Deferred Tax Valuation Allowance" means any valuation allowance applied to deferred tax assets as determined in accordance with GAAP and included in the financial statements of the Borrower.

"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 Termination Date, (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 Termination

Date, 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 Termination Date 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.

"Minimum Consolidated Tangible Net Worth Level" means, at any time, the applicable level determined by reference to the Consolidated Tangible Net Worth of the Borrower set forth in the grid below:

Consolidated Tangible Net Worth	**Minimum Consolidated Tangible Net Worth Level**
Greater than or equal to $350,000,000	Level I
Less than $350,000,000 but greater than $250,000,000	Level II
Less than $250,000,000 but greater than $100,000,000	Level III

; provided that, (x) if Consolidated Tangible Net Worth is greater than or equal to $350,000,000 at the time of determination, but either (a) the Leverage Ratio at such time, calculated excluding 100% of the effect on Consolidated Tangible Net Worth resulting from the recording of any Deferred Tax Valuation Allowance in any fiscal quarter ending after March 31, 2008, exceeds 3.50 to 1.00 or (b) the Leverage Ratio at such time, calculated including 100% of the effect on Consolidated Tangible Net Worth resulting from the recording of any Deferred Tax Valuation Allowance in any fiscal quarter ending after March 31, 2008, exceeds 5.00 to 1.00, then the Minimum Consolidated Tangible Net Worth Level shall be Level II, (y) the Minimum Consolidated Tangible Net Worth Level shall be deemed to be at Level I on and after the Third Amendment Effective Date until such time as the next quarterly or annual financial statements are delivered pursuant to Section 5.08(1) or 5.08(2) and (z) if at any time the Minimum Consolidated Tangible Net Worth Level is reduced to Level II or Level III, it shall not be raised at any subsequent time regardless of any subsequent level of Consolidated Tangible Net Worth.

"Secured Borrowing Base Loan Coverage Minimum" means at any time (a) the Minimum Consolidated Tangible Net Worth Level is at Level I, 3.0 to

1.0; (b) the Minimum Consolidated Tangible Net Worth Level is at Level II, 4.50 to 1.00; and (c) the Minimum Consolidated Tangible Net Worth Level is at Level III, 6.00 to 1.00; provided that, if the Interest Coverage Ratio for the fiscal quarter ended June 30, 2010 shall be less than 1.00 to 1.00, the Secured Borrowing Base Loan Coverage Minimum shall be 4.50 to 1.00, unless Minimum Consolidated Net Worth is at Level III, in which case the Secured Borrowing Base Loan Coverage Minimum shall be 6.00 to 1.00.

"Secured Borrowing Base Loan Coverage Ratio" means, at any time, the ratio of the Secured Borrowing Base to the Aggregate Outstanding Extensions of Credit.

"Third Amendment" means the Third Amendment, dated as of August 7, 2008, to and under this Agreement.

"Third Amendment Effective Date" means the date that the Third Amendment becomes effective in accordance with its terms.

(b) Section 1.01 of the Credit Agreement is hereby amended by deleting the following definitions: "Adjusted Land Value", "Collateral Release Conditions", "Collateral Release Date", "Interim Period", "Senior Notes Litigation" and "Senior Notes Resolution".

(c) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of "Aggregate Commitment" in its entirety and inserting in lieu thereof the following:

"Aggregate Commitment" means, at any time after the Third Amendment Effective Date, the aggregate Commitments of all the Lenders in the amount determined by reference to the Minimum Consolidated Tangible Net Worth Level set forth in the grid below, as such commitment amount may be reduced or increased from time to time pursuant to the terms of this Agreement:

Minimum Consolidated Tangible Net Worth Level	Aggregate Commitment Amount
Level I	$400,000,000
Level II	$250,000,000
Level III	$100,000,000

; provided that, if the Interest Coverage Ratio for the fiscal quarter ending June 30, 2010 shall be less than 1.00 to 1.00, the Aggregate Commitment Amount shall be reduced to the lower of (a) $200,000,000, if the Minimum Consolidated Tangible Net Worth Level is at Level I or Level II, and (b) $100,000,000 if the Minimum Consolidated Tangible Net Worth Ratio is at Level III.

(d) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of “Applicable Commitment Rate” in its entirety and inserting in lieu thereof the following:

> “Applicable Commitment Rate” means, as at any date of determination, a rate per annum equal to (a) 0.35% if the average daily unused portion of the Aggregate Commitment during the fiscal quarter ending on or immediately prior to such date of determination equals or exceeds 50% of the Aggregate Commitment, and (b) 0.25% if the average daily unused portion of the Aggregate Commitment during the fiscal quarter ending on or immediately prior to such date of determination is less than 50% of the Aggregate Commitment.

(e) Section 1.01 of the Credit Agreement is hereby amended by replacing the phrase “except for Liens permitted under Sections 6.01(1), (2) or (6)” in the definition of “Borrowing Base” with the following: “except for Liens permitted under Sections 6.01(1), (2), (6) or (7)”.

(f) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of “Borrowing Base Debt” in its entirety and inserting in lieu thereof the following:

> “Borrowing Base Debt” means the Aggregate Outstanding Extensions of Credit.

(g) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of “Inventory Valuation Date” in its entirety and inserting in lieu thereof the following:

> “Inventory Valuation Date” means the last day of the most recent calendar month of the Borrower with respect to which the Borrower is required to have delivered a Borrowing Base Certificate pursuant to Section 5.08(6) and Section 2.01.2(b)(ix).

(h) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of “Secured Borrowing Base” in its entirety and inserting in lieu thereof the following:

> “Secured Borrowing Base” means, with respect to any date of determination, an amount equal to the sum of the following assets of the Borrower and all Guarantors which are Wholly-Owned Subsidiaries of Borrower with respect to which the Borrower shall have satisfied the Secured Borrowing Base Conditions: an amount equal to (i) (x) if the Secured Borrowing Base Loan Coverage Minimum is 3.0 to 1.0, 300% of the Unrestricted Cash, (y) if the Secured Borrowing Base Loan Coverage Minimum is 4.5 to 1.0, 450% of the Unrestricted Cash and (z) if the Secured Borrowing Base Loan Coverage Minimum is 6.0 to 1.0, 600% of the Unrestricted Cash <u>plus</u> (ii) 100% of the book value of Receivables from Housing Unit Closings <u>plus</u> (iii) 100% of the book value of Lots under Development <u>plus</u> (iv) 100% of the book value of Finished

Lots plus (v) 100% of the book value of Speculative Housing Units plus (vi) 100% of the book value of Housing Units under Contract minus (vii) for any asset the value of which is included in clauses (i)-(vi) above and which is subject to a Lien permitted under Section 6.01(7), (x) the amount to be paid by the Borrower or any Subsidiary under any profit sharing or marketing agreement with respect thereto if the amount due under such agreement is a determined dollar amount or (y) if the amount to be paid by the Borrower or any Subsidiary under any profit sharing or marketing agreement with respect to such asset is a percentage of book value or gross sales price of such asset, the agreed upon percentage multiplied by the book value of such asset; provided that, if the Agent has an Acceptable Appraisal with respect to a Real Property (or any portion thereof) that is included in the Secured Borrowing Base, then the amount of availability includable in the Secured Borrowing Base attributable to such Real Property (or portion thereof) shall be equal to the lesser of (A) the amounts calculated as set forth above and (B) the amounts that would be calculated as set forth using the Appraised Value of such Real Property (or portion thereof) instead of book value. Notwithstanding anything to the contrary herein, (x) not more than 30% of the total aggregate Secured Borrowing Base (including, without limitation, Unrestricted Cash and Receivables) shall be comprised of Lots Under Development and Finished Lots and (y) not more than 25% of the total aggregate Secured Borrowing Base (including, without limitation, Unrestricted Cash and Receivables) shall be comprised of Secured Borrowing Base Assets of the type described in the foregoing clauses (iii) through (vi) that relate to property located in a Single Market; provided further that, at any time the Minimum Consolidated Tangible Net Worth Level is at either Level II or Level III, Lots Under Development shall be excluded from the Secured Borrowing Base for the determining compliance with Section 2.01.2(b).

2.2 Section 2.01.2(a) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(a) [Intentionally Deleted.]

2.3 Section 2.01.2(b)(i) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(b) Secured Borrowing Base. (i) On and after the Third Amendment Effective Date, (A) at any time after the date that is sixty (60) days following the Third Amendment Effective Date, the Secured Borrowing Base Loan Coverage Ratio must exceed the Secured Borrowing Base Loan Coverage Minimum as of the most recent date of determination, and (B) no Loan shall be made, and no Facility Letter of Credit shall be issued or amended, if after giving effect to the incurrence of such Loan or the issuance or amendment of such Facility Letter of Credit, the then effective Secured Borrowing Base Loan Coverage Ratio does not exceed the Secured Borrowing Base Loan Coverage Minimum as of the most recent date of determination; provided that, a Loan shall not be deemed to have increased the amount of the Aggregate Outstanding

Extensions of Credit to the extent that the proceeds of such Loan are immediately used to repay a Swing Line Loan theretofore included in the calculation of Aggregate Outstanding Extensions of Credit.

2.4 Section 2.01.2(b)(v) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(v) 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 (it being understood that, in the case of this clause (A), no Liens shall be released, discharged or terminated on Collateral included in the Secured Borrowing Base and the proceeds thereof) and (B) upon the occurrence of the Termination Date 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 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 deliver Uniform Commercial Code termination statements (and to, the extent permitted under the Uniform Commercial Code in effect in any relevant jurisdiction, does hereby authorize the Loan Parties from and after the date that the Permitted Secured Debt Conditions shall have been satisfied to file, or cause to be filed, such 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.

2.5 Amendment to Sections 2.05 (a), (b) and (c). Sections 2.05(a), (b) and (c) of the Credit Agreement are hereby amended by deleting such Sections in their entirety and inserting in lieu thereof the following:

(a) On and after the Third Amendment Effective Date, the Applicable Eurodollar Margin shall be determined by reference to the Minimum

Consolidated Tangible Net Worth Level in accordance with the following pricing grid and the provisions of this Section 2.05:

Minimum Consolidated Tangible Net Worth Level	Applicable Eurodollar Margin
Level I	4.50%
Level II	5.00%
Level III	5.50%

(b) The Applicable Eurodollar Margin under the foregoing pricing grid shall be determined with reference to the Minimum Consolidated Tangible Net Worth Level as of the last day of each fiscal quarter. The determination of the Minimum Consolidated Tangible Net Worth Level shall be made from the then most recent annual or quarterly financial statements of the Borrower delivered by the Borrower pursuant to Sections 5.08(1) and 5.08(2), and the adjustment, if any, to the Applicable Eurodollar Margin shall take place on, and be effective from and after, the fifth Business Day after the date on which the Agent has received such financial statements.

(c) If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or a calculation error, the Borrower or the Agent determines that (i) the Minimum Consolidated Tangible Net Worth Level as calculated by the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Minimum Consolidated Tangible Net Worth Level would have resulted in higher pricing for such period, the Borrower shall immediately and retroactively be obligated to pay to the Agent, for the account of the applicable Lenders, promptly on demand by the Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to Borrower under the Bankruptcy Code of the United States of America, automatically and without further action by the Agent, any Lender, or any Issuer), 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 any Issuer, as the case may be under Article VIII. The Borrower’s obligations under this paragraph shall survive the termination of the Commitments and the repayment of all other Obligations hereunder.

2.6 Amendment to Section 2.11(c). Section 2.11(c) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(c) If at any time the Aggregate Outstanding Extensions of Credit exceeds the lesser of the Secured Borrowing Base and the Aggregate Commitment, then the Borrower shall within two Business Days thereafter prepay Loans and/or cash collateralize the Facility Letter of Credit Obligations in an aggregate amount equal to any such excess; provided that, the Borrower shall not be required to so prepay or cash collateralize at any time during the period commencing on the Third Amendment Effective Date and ending on the date that is sixty (60) days following the Third Amendment Effective Date;

2.7 Amendment to Section 2.22.1(b). Section 2.22.1(b) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(b) The Borrower shall not request, and no Issuer shall issue, a Facility Letter of Credit for any purpose other than for purposes for which Loan proceeds may by used, provided that, the Borrower shall not request Facility Letters of Credit for any purposes other than for such purposes which are permitted to be secured by a "Permitted Lien" under, and as defined in, each of the Senior Indentures without regard to the provisions of clause (xi) thereunder"

2.8 Amendment to Section 2.22.3(iii)(a). Section 2.22.3(iii)(a) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(a) The representations and warranties contained in Article IV of this Agreement are correct in all material respects on and as of such Issuance Date as though made on and as of such Issuance 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 this condition shall be deemed to have been waived solely to the extent that the representations and warranties contained in Section 4.04 (Financial Statements), Section 4.06 (Other Agreements), Section 4.07 (Litigation), Section 4.14 (Law; Environment) and Section 4.17 (Accuracy of Information) are incorrect, incomplete or misleading as a result of (or in the case of the representations and warranties contained in Section 4.07, directly resulting from) the matters identified in the Borrower's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (it being understood that any certificate to be delivered pursuant to this Section may be so qualified);

2.9 Amendment to Section 2.22.3(iii)(c). Section 2.22.3(iii)(c) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(c) [Intentionally Omitted.]

2.10 Amendment to Section 2.22.6(c). Section 2.22.6(c) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

> (c) If any draft is paid under any Facility Letter of Credit, the Borrower shall reimburse the Issuing Lender for the amount of (a) the draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with such payment, not later than 12:00 Noon, Charlotte, North Carolina time, on (i) the Business Day immediately following the day that the Borrower receives notice of such draft, if such notice is received on such day prior to 10:00 A.M., Charlotte, North Carolina 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 Issuing Lender at its address for notices referred to herein in Dollars and in immediately available funds. Interest shall be payable on any such amounts from the date on which the relevant draft 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 2.07(a) and (y) thereafter, Section 2.07(d).

2.11 Amendment to Section 3.02. Section 3.02 of the Credit Agreement is hereby amended by deleting clauses (1)(a)-(c) in such Section in their entirety and inserting in lieu thereof the following:

> (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 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 this condition shall be deemed to have been waived solely to the extent that the representations and warranties contained in Section 4.04 (Financial Statements), Section 4.06 (Other Agreements), Section 4.07 (Litigation), Section 4.14 (Law; Environment) and Section 4.17 (Accuracy of Information) are incorrect, incomplete or misleading as a result of (or in the case of the representations and warranties contained in Section 4.07, directly resulting from) the matters identified in the Borrower's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (it being understood that any certificate to be delivered pursuant to this Section may be so qualified);
>
> (b) No Default or Event of Default has occurred and is continuing, or would result from such Loan; and
>
> (c) [Intentionally Omitted.]

2.12 Amendments to Section 4.18. Section 4.18(a) of the Credit Agreement is hereby amended by replacing the phrase "Liens permitted under Section 6.01(1) through (6)" therein with the following: "Liens permitted under Section 6.01(1) through (7)", and by deleting the phrase "the Collateral Release Date or other" therein. Section 4.18(b) of the Credit Agreement is hereby amended by inserting after the phrase "clause (c) of the definition of Mortgage Conditions" therein the following: "and other than Liens permitted pursuant to clause

(g) of the definition of Mortgage Conditions or Section 6.01(7)" and by deleting the phrase "the Collateral Release Date or other" therein.

2.13 Amendment to Section 4.19. Section 4.19 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

> **Section 4.19 Certain Representations and Warranties**. The representations and warranties contained in Section 4.04 (Financial Statements), Section 4.06 (Other Agreements), Section 4.07 (Litigation), Section 4.14 (Law; Environment) and Section 4.17 (Accuracy of Information) shall be deemed to be made as set forth in this Agreement except that such representations and warranties shall be deemed to be made with an exception for (or in the case of the representations and warranties contained in Section 4.07, the matters directly resulting from) the matters identified in the Borrower's Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

2.14 Amendments to Section 5.08. Section 5.08 of the Credit Agreement is hereby amended by (x) deleting clause (4) thereof in its entirety and inserting in lieu thereof the following: "(4) [Intentionally Deleted]", (y) deleting clause (6) thereof in its entirety and inserting in lieu thereof the following: "(6) [Intentionally Deleted]", and (z) deleting clause (9) thereof in its entirety and inserting in lieu thereof the following: "(9) [Intentionally Deleted]".

2.15 Amendments to Section 5.14. Section 5.14 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

> **Section 5.14 [**Intentionally omitted.]

2.16 Amendment to Section 6.01. Section 6.01 of the Credit Agreement is hereby amended by adding the following new clause (7) thereto and renumbering existing clauses (7) and (8) thereof to be clauses (8) and (9), respectively:

> (7) Liens in favor of a seller of Entitled Land, Lots Under Development or Finished Lots requiring the Borrower or any Subsidiary to make a payment upon the future sale of such Entitled Land, Lots Under Development or Finished Lots in an amount not to exceed five percent (5%) of the gross sales price or in the case of profit sharing or marketing agreements an amount that is reasonable and customary in the industry and market;

2.17 Amendment to Section 6.02. Section 6.02 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

> **Section 6.02 Secured Debt**. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Secured Debt, except for Secured Debt in an aggregate amount outstanding at any

one time not exceeding (a) $300,000,000 plus (b) the amount (if any) of any secured Debt of an entity acquired by Borrower after the Closing Date; provided that, (i) such secured Debt was in existence prior to the date of such Acquisition and was not incurred in anticipation thereof and (ii) the Liens securing such Debt do not extend to any other assets other than those theretofore encumbered by such Liens plus (c) an amount equal to any reduction of the Aggregate Commitment as a result of any change in the applicable Minimum Consolidated Tangible Net Worth Level after the Third Amendment Effective Date.

2.18 Amendment to Section 6.06. Section 6.06 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 6.06 Sale of Assets. Sell, lease, assign, transfer, or otherwise dispose of, or permit any Subsidiary to sell, lease, assign, transfer, or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of subsidiaries, receivables, and leasehold interests), except (a) for (1) Inventory disposed of in the ordinary course of business; (2) the sale or other disposition of assets no longer used or useful in the conduct of its business, provided that, the Borrower is in compliance with Section 2.01.2(b)(i) hereof and no Event of Default has occurred and is continuing; or (3) the sale and leaseback of model homes; (b) that any Guarantor may sell, lease, assign, or otherwise transfer its assets to the Borrower or any other Guarantor 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.

2.19 Amendment to Section 6.07. Section 6.07 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 6.07 Investments. Make, or permit any Subsidiary to make, any loan or advance to any Person, or purchase or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, any capital stock, assets (other than assets acquired in the ordinary course of business), obligation, 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) a direct obligation of the United States or any agency thereof with maturities of one year or less from the date of acquisition; (2) commercial paper rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.; (3) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank or federal savings bank having capital and surplus in excess of $250,000,000; (4) a direct obligation of any state or municipality within the United States with maturities of one year or less from the date of acquisition and which, at the time of such acquisition, is accorded one of the two highest debt ratings for obligations of such type by Standard & Poor's or Moody's; (5) mutual funds investing in assets of the type described in items (1), (2), (3) or (4) above which in any case would be classified as a current asset in accordance with GAAP which are managed by a fund manager of recognized standing in the United States and having capital and surplus of at least $100,000,000 or having at least $250,000,000 under management; (6) 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; (7) 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); (8) any Permitted Acquisition; (9) 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); (10) redemptions and repurchases of senior Debt permitted to be incurred under this Agreement so long as the aggregate amount of such redemptions and repurchases do not exceed $300,000,000 plus an amount equal to fifty percent (50%) of the cumulative Net Income of the Borrower earned in any quarter ended after June 30, 2008 (excluding any quarter in which there is a loss) plus an amount equal to fifty percent (50%) of net proceeds received after the Third Amendment Effective Date by the Borrower or any Subsidiary from the sale or issuance of any equity interests (other than Disqualified Stock); (11) redemption and repurchases in respect of any subordinated Debt of Borrower or any of its Wholly-Owned Subsidiaries so long as the Interest Coverage Ratio shall be greater than or equal to 1.75 to 1.00; (12) any redemption, repurchase, exchange or refinancing of Debt (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 out of the proceeds of the substantially concurrent incurrence of, Refinancing Debt; (13) Investments in Subsidiaries that are not Guarantors and that are not any Joint Venture (subject, however, to the limitations set forth below); (14) any other Investment not identified in clauses (1) though (13) above (subject, however, to the limitations set forth below); provided further that, (a) the aggregate amount of all Investments by the Borrower and its Subsidiaries permitted under clauses (13) and (14) above and the contingent obligations under guaranties permitted under clause (3) of Section 6.08 below does not at any time exceed thirty-five percent (35%) of Consolidated Tangible Net Worth, and (b) neither the Borrower nor any Subsidiary may repurchase or redeem any equity interests they have issued at any time other than pursuant to the provisions of this Section 6.07.

2.20 Amendment to Section 6.09. Section 6.09 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

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 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 Guarantor's or any Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Guarantor or any 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 Subsidiaries and to the Title Companies for title insurance); 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 a value of $500,000 or less; (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 any Guarantor; 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.

2.21 Amendment to Section 6.11. Section 6.11 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 6.11 Amendment or Modification of Senior Indentures. Amend or modify, or permit any amendment or modification of, any of the Senior Indentures (other than those provided for in (a) clauses (7), (8), or (9) of Section 9.01 of the Base Indenture 2001, (b) clauses (1), (4), (5) of Section 9.01 of the Base Indenture 2002, (c) clauses (1), (3), or (6) of Section 13.01 of the Base Indenture 2004, and (d) any similar provision set forth in any indenture entered into after the date hereof in connection with any Refinancing Debt with respect to the Senior Notes, in each case as such provisions exist on the date hereof or, for any indenture under clause (d) above, on the date of execution) if such amendment or modification has the effect of making any terms, covenants or restrictions contained therein, taken as a whole, as determined by the Agent in its reasonable discretion prior to such amendment or modification, more restrictive than such terms, covenants or restrictions prior to giving effect to such amendment or modification; provided that, for any amendment or modification permitted by the foregoing clause (other than those specified in the parenthetical thereof), the Borrower shall provide Agent a certificate with respect to the amendment or modification not containing any more restrictive terms and satisfactory evidence thereof prior to entering into such amendment or modification.

2.22 Amendment to Section 6.12. Section 6.12 of the Credit Agreement is hereby amended by deleting the phrase "or permit BMC to engage in any business other than mortgage banking" in such Section.

2.23 Amendment to Section 7.01. Section 7.01 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 7.01 Minimum Consolidated Tangible Net Worth. The Borrower will maintain at all times a Consolidated Tangible Net Worth of not less than $100,000,000.

2.24 Amendment to Section 7.02. Section 7.02 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 7.02 [Intentionally Deleted].

2.25 Amendment to Section 7.03. Section 7.03 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 7.03 [Intentionally Deleted].

2.26 Amendment to Section 7.04. Section 7.04 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 7.04 [Intentionally Deleted].

2.27 Amendment to Section 7.05. Section 7.05 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 7.05 [Intentionally Deleted.]

2.28 Amendment to Section 7.06. Section 7.06 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 7.06 Minimum Liquidity. If, as of the last day of the fiscal quarter most recently ended, the Interest Coverage Ratio is less than 1.75 to 1.00, the Borrower shall maintain either (a) the ratio of (i) Adjusted Cash Flow From Operations for the last four quarters then ended to(ii) Interest Incurred by the Loan Parties for the last four quarters then ended equal to or in excess of 1.75 to 1.00, or (b) Unrestricted Cash not included in the Secured Borrowing Base, together with any Borrowing Base Availability, in an amount of not less than $120,000,000.

2.29 Amendment to Section 8.01(11). Section 8.01(11) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(11) 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 shall cease to be enforceable and of the same effect and priority purported to be created thereby;

2.30 Amendment to Section 8.01(12). Section 8.01(12) of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

(12) Any Loan Party shall default in the observance or performance of (a) any covenant contained in Section 5.16 or (b) any term, covenant or agreement contained in the Cash Collateral Agreement, the Collateral Agreement or any Mortgage, and such default contained in this clause (b) shall continue unremedied for 30 consecutive days;

2.31 Amendment to Section 8.01(13). Section 8.01(13) of the Credit Agreement is hereby amended by deleting such Section in its entirety.

2.32 Amendment to Section 10.07. Section 10.07 of the Credit Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

Section 10.07 CHOICE OF LAW. THE LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

2.33 Amendment to Exhibit D. Exhibit D of the Credit Agreement is hereby amended by deleting such Exhibit D in its entirety and inserting in lieu thereof the Exhibit D attached hereto.

2.34 Amendment to Exhibit G-1. Exhibit G-1 of the Credit Agreement is hereby amended by deleting such Exhibit G-1 in its entirety and inserting in lieu thereof Exhibit G-1 attached hereto.

2.35 Amendment to Schedule IV. Schedule IV of the Credit Agreement is hereby amended by deleting such Schedule IV in its entirety and inserting in lieu thereof Schedule IV attached hereto.

2.36 Amendment to Governing Law of Loan Documents. ANY LOAN DOCUMENT WHICH IS STATED TO BE GOVERNED BY THE LAWS OF THE STATE OF NORTH CAROLINA LAW (OTHER THAN A DEED OF TRUST OR SIMILAR COLLATERAL DOCUMENT WITH RESPECT TO REAL PROPERTY LOCATED IN

NORTH CAROLINA) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

SECTION 3. CONDITIONS PRECEDENT.

3.1 Effective Date. This Third Amendment shall become effective as of the date first set forth above (the "Third Amendment Effective Date") following the date on which all of the following conditions have been satisfied or waived:

(a) The Agent shall have received:

(1) this Third Amendment, executed and delivered by a duly authorized officer of the Borrower and the Lenders constituting Required Lenders;

(2) an Acknowledgment and Consent, in the form set forth as Exhibit A hereto, executed and delivered by a duly authorized officer of each Guarantor (such Acknowledgment and Consent, together with this Third Amendment, the "Amendment Documents");

(3) a favorable opinion of counsel for the Borrower in form and substance reasonably satisfactory to the Agent; and

(4) all fees and expenses related to this Third Amendment to be paid by Borrower.

(b) After giving effect to this Third Amendment, there shall be no Default or Event of Default.

SECTION 4. GENERAL.

4.1 Representations and Warranties.

(a) In order to induce the Agents and the Lenders to enter into this Third Amendment, the Borrower hereby represents and warrants to the Agents, the Arrangers and the Lenders that the representations and warranties of the Borrower contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the Third Amendment Effective Date (after giving effect hereto) as if made on and as of the Third Amendment Effective Date (except where such representations and warranties expressly relate to an earlier date in which case such representations and warranties were true and correct in all material respects as of such earlier date); provided that, the representations and warranties contained in Section 4.04 (Financial Statements), Section 4.06 (Other Agreements), Section 4.07 (Litigation), Section 4.14 (Law; Environment) and Section 4.17 (Accuracy of Information) shall be deemed to be made as set forth in the Credit Agreement except that such representations and warranties shall be deemed to be made with an exception for the matters identified in the Borrower's Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

(b) In order to induce the Agents and the Lenders to enter into this Third Amendment, the Borrower hereby represents and warrants to the Agents, the Arrangers and the Lenders that (i) each of the Borrower and the Guarantors has all necessary corporate power and authority to execute and deliver the Amendment Documents, (ii) the execution and delivery by each such party of the Amendment Documents have been duly authorized by all necessary corporate action on its part, and (iii) the Amendment Documents have been duly executed and delivered by each such party and constitute each such party's legal, valid and binding obligation, enforceable in accordance with its terms.

(c) In order to induce the Agents and the Lenders to enter into this Third Amendment, the Borrower hereby represents and warrants to the Agents, the Arrangers and the Lenders that the Consolidated Tangible Net Worth of the Borrower as of June 30, 2008 is greater than or equal to $350,000,000.

(d) In order to induce the Agents and the Lenders to enter into this Third Amendment, the Borrower hereby represents and warrants to the Agents, the Arrangers and the Lenders that as of the Third Amendment Effective there has been no material adverse change in the condition (financial or otherwise), business, or operations of the Borrower and its Subsidiaries since March 31, 2007 except for the matters identified in the Borrower's Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

4.2 Waiver of Claims. The Borrower acknowledges that the Agent and Lenders have acted in good faith and have conducted themselves in a commercially reasonable manner in their relationships with the Loan Parties in connection with this Third Amendment and in connection with the Credit Agreement and the other Loan Documents, the Borrower hereby waiving and releasing any claims to the contrary. The Borrower, on its own behalf and on behalf of each of its Affiliates, releases and discharges the Agent and Lenders, all Affiliates of the Agent and Lenders, all officers, directors, employees, attorneys and agents of the Agent and Lenders or any of their Affiliates, and all of their predecessors in interest, from any and all claims, defenses, and causes of action arising out of or in any way related to any of the Loan Documents, whether known or unknown, and whether now existing or hereafter arising, including without limitation, any usury claims, that have at any time been owned, or that are hereafter owned, in tort or in contract by the Borrower or any Affiliate of the Borrower and that arise out of any one or more circumstances or events that occurred prior to the date of this Third Amendment.

4.3 Notice of Effectiveness. The Agent shall promptly advise the Lenders and the Borrower that this Third Amendment has become effective and of the Third Amendment Effective Date.

4.4 APPLICABLE LAW AND JURISDICTION. THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

4.5 Counterparts. This Third Amendment may be executed by the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

4.6 Successors and Assigns. This Third Amendment shall be binding upon and inure to the benefit of the Borrower and its successors and assigns, and upon the Agents and the Lenders and each of their respective successors and assigns. The execution and delivery of this Third Amendment by any Lender prior to the Third Amendment Effective Date shall be binding upon its successors and assigns and shall be effective as to any loans or commitments assigned to it after such execution and delivery.

4.7 Continuing Effect. Except as expressly amended hereby, the Credit Agreement as amended by this Third Amendment shall continue to be and shall remain in full force and effect in accordance with its terms. This Third Amendment shall not constitute an amendment or waiver of any provision of the Credit Agreement not expressly referred to herein and shall not be construed as an amendment, waiver or consent to any action on the part of the Borrower that would require an amendment, waiver or consent of the Agent or the Lenders except as expressly stated herein. Any reference to the "Credit Agreement" in any Credit Document or any related documents shall be deemed to be a reference to the Credit Agreement as amended by this Third Amendment.

4.8 Headings. Section headings used in this Third Amendment are for convenience of reference only, are not part of this Third Amendment and are not to affect the constructions of, or to be taken into consideration in interpreting, this Third Amendment.

[Signature Page Follows]

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

BORROWER:

BEAZER HOMES USA, INC.,
a Delaware corporation

By: ______________________________
Name: Robert S. Salomon
Title: Senior Vice President

Signature Page to Third Amendment

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Agent and as a Lender

By: ______________________________
Name:
Title:

CITIBANK, N.A., as a Lender

By: ______________________________
Name:
Title:

BNP PARIBAS, as a Lender

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

THE ROYAL BANK OF SCOTLAND, as a Lender

By: ______________________________
Name:
Title:

GUARANTY BANK, as a Lender

By: ______________________________
Name:
Title:

REGIONS FINANCIAL CORPORATION, as a Lender

By: ______________________________
Name:
Title:

JPMORGAN CHASE BANK, N.A., as a Lender

By: ______________________________
Name:
Title:

CITY NATIONAL BANK, a national banking association, as a Lender

By: ______________________________
Name:
Title:

PNC BANK, N.A., as a Lender

By: ______________________________
Name:
Title:

UBS LOAN FINANCE, LLC, as a Lender

By: ______________________________
Name:
Title:

COMERICA BANK, as a Lender

By: ____
Name:
Title:

EXHIBIT A

ACKNOWLEDGMENT AND CONSENT

Reference is made to the Third Amendment, dated as of August 7, 2008 (the "Third Amendment"), to and under the Credit Agreement, dated as of July 25, 2007 (as heretofore amended, supplemented or otherwise modified, the "Credit Agreement"), among Beazer Homes USA, Inc., a Delaware corporation, the several lenders from time to time parties thereto and Wachovia Bank, National Association, as agent. Unless otherwise defined herein, capitalized terms used herein and defined in the Credit Agreement are used herein as therein defined.

Each of the undersigned parties to the Guaranty hereby (a) consents to the transactions contemplated by the Third Amendment, (b) acknowledges and agrees that the guarantees made by such party contained in the Guaranty and the grants of security interests made by such party in the Collateral Agreement are, and shall remain, in full force and effect after giving effect to the Third Amendment, and (c) on its own behalf and on behalf of each of its Affiliates, releases and discharges the Agent and Lenders, all Affiliates of the Agent and Lenders, all officers, directors, employees, attorneys and agents of the Agent and Lenders or any of their Affiliates, and all of their predecessors in interest, from any and all claims, defenses, and causes of action arising out of or in any way related to any of the Loan Documents, whether known or unknown, and whether now existing or hereafter arising, including without limitation, any usury claims, that have at any time been owned, or that are hereafter owned, in tort or in contract by the undersigned or any Affiliate of the undersigned and that arise out of any one or more circumstances or events that occurred prior to the date of the Third Amendment.

GUARANTORS:

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 S. Salomon
Title: Senior Vice President

BEAZER MORTGAGE CORPORATION

By: ______________________________
Name: Mike Furlow
Title: Executive Vice President

ARDEN PARK VENTURES, LLC
BEAZER CLARKSBURG, LLC
BEAZER COMMERCIAL HOLDINGS, LLC
BEAZER HOMES INVESTMENTS, LLC
BEAZER HOMES MICHIGAN, LLC
DOVE BARRINGTON DEVELOPMENT LLC

By: BEAZER HOMES CORP., its Managing Member

By: ______________________________
Name: Robert S. Salomon
Title: Senior Vice President

BEAZER SPE, LLC

By: BEAZER HOMES HOLDINGS CORP.,
its Member

By: ______________________________
Name: Robert S. Salomon
Title: Senior Vice President

BEAZER HOMES INDIANA, LLP
BEAZER REALTY SERVICES, LLC
PARAGON TITLE, LLC
TRINITY HOMES, LLC

By: BEAZER HOMES INVESTMENTS, LLC,
its Managing Member or Managing Partner

By: BEAZER HOMES CORP.,
its Managing Member

By: ______________________________
Name: Robert S. Salomon
Title: Senior Vice President

BEAZER HOMES TEXAS, L.P.
TEXAS LONE STAR TITLE, L.P.

By: BEAZER HOMES TEXAS HOLDINGS, INC., its General Partner

By: ______________________________
Name: Robert S. Salomon
Title: Senior Vice President

BH BUILDING PRODUCTS, LP

By: BH PROCUREMENT SERVICES, LLC,
its General Partner

By: BEAZER HOMES TEXAS, L.P.,
its Managing Member

By: BEAZER HOMES TEXAS HOLDINGS, INC.,
its General Partner

By: ______________________________
Name: Robert S. Salomon
Title: Senior Vice President

BH PROCUREMENT SERVICES, LLC

By: BEAZER HOMES TEXAS, L.P.,
its Managing Member

By: BEAZER HOMES TEXAS HOLDINGS, INC.,
its General Partner

By: ______________________________
Name: Robert S. Salomon
Title: Senior Vice President

Beazer Homes USA, Inc.

Amended and Restated 1999 Stock Incentive Plan

Section 1. — Establishment and Purposes

Beazer Homes USA, Inc. hereby establishes the Beazer Homes USA, Inc. Amended and Restated 1999 Stock Incentive Plan (the "Plan").

The purposes of the Plan are to promote the interests of Beazer Homes USA, Inc. (the "Company") and its Shareholders by aiding the Company in attracting and retaining management personnel capable of assuring the future success of the Company, to offer such personnel incentives to put forth maximum efforts for the success of the Company's business and to afford such personnel an opportunity to acquire a proprietary interest in the Company.

Section 2. — Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

2.1 *"Affiliate"* shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the Committee.

2.2 *"Award"* shall mean an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.

2.3 *"Award Agreement"* shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

2.4 *"Board"* shall mean the Board of Directors of the Company.

2.5 *"Change in Control"* shall mean: (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding Shares (the "Outstanding Shares") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this paragraph (i) the following acquisitions shall not constitute a Change of Control; (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 2.5; or

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

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Shares and the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then

Outstanding Shares and the combined voting power of the then Outstanding Voting Securities entitled to vote generally in the election of Directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the Shareholders of a complete liquidation or dissolution of the Company.

2.6 *"Code"* shall mean the Internal Revenue Code of 1986, as amended from time to time and any regulations promulgated thereunder.

2.7 *"Committee"* shall mean the Stock Option and Incentive Committee or any other Committee of the Board designated by the Board to administer the Plan which shall consist of at least two members appointed from time to time by the Board. Each Committee member must qualify as an "outside director" as defined in the Treasury Regulation § 1.162-27(e)(3) (or any successor rule) and, to the extent necessary to qualify Awards hereunder for exemption from the liability provisions of Rule 16b-3, a "non-employee director" as defined in Reg. § 240.16b-3(b)(3) (or any successor rule) of the Securities Exchange Act of 1934.

2.8 *"Common Stock"* shall mean the common stock, $0.01 par value, of the Company.

2.9 *"Company"* shall mean Beazer Homes USA, Inc., a Delaware corporation, and any successor corporation.

2.10 *"Director"* shall mean a member of the Board of Directors of the Company.

2.11 *"Disability"* shall mean disability as defined in Participant's Award Agreement with the Company.

2.12 *"Dividend Equivalent"* shall mean any right granted under Section 6.4 of the Plan.

2.13 *"Eligible Person"* shall mean any employee, officer, consultant or independent contractor providing services to the Company or any Affiliate or a Director, in each case, who the Committee determines to be eligible.

2.14 *"Fair Market Value"* shall mean the fair market value of any property (including but not limited to Shares or other security) determined by a valuation method as established by the Committee from time to time. However, that for purposes of the Plan, the Fair Market Value of Shares on any day on which Shares are traded on the New York Stock Exchange ("NYSE") or any other nationally recognized stock exchange or automated quotation system shall be the closing price of such Shares as reported by the NYSE or such other exchange or quotation system.

2.15 *"Incentive Stock Option"* shall mean an Option granted under Section 6.1 of the Plan that meets the requirements of Section 422 of the Code.

2.16 *"Non-Qualified Stock Option"* shall mean an Option granted under Section 6.1 of the Plan that is not intended to be an Incentive Stock Option.

2.17 *"Option"* shall mean an Incentive Stock Option or a Non-Qualified Stock Option and shall include Restoration Options.

2.18 *"Other Stock-Based Award"* shall mean any right granted under Section 6.6 of Plan.

2.19 “*Participant*” shall mean an Eligible Person who has been granted an Award under the Plan.

2.20 “*Performance Award*” shall mean any right granted under Section 6.5 of the Plan.

2.21 “*Person*” shall mean any individual, corporation, limited liability company, partnership, association or trust.

2.22 “*Plan*” shall mean the Beazer Homes USA, Inc. 1999 Stock Incentive Plan, as amended from time to time.

2.23 “*Restoration Option*” shall mean any Option granted under Section 6.1(d) of the Plan.

2.24 “*Restricted Stock*” shall mean any Share granted to a Participant under Section 6.3 of the Plan.

2.25 “*Restricted Stock Unit*” shall mean a bookkeeping entry representing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date as granted under Section 6.3 of the Plan. A holder of Restricted Stock Units shall not be entitled to voting rights on any Shares to which the Restricted Stock Units relate.

2.26 “*Rule 16b-3*” shall mean Rule 16b-3 promulgated under the Securities Exchange Act of 1934 as amended from time to time and the related regulations.

2.27 “*Shares*” shall mean shares of Common Stock or such other securities or property, as may be the subject of Awards pursuant to an adjustment made under Section 9.1 of the Plan.

2.28 “*Shareholder*” shall mean a shareholder of the Company.

2.29 “*Stock Appreciation Right*” shall mean any right granted under Section 6.2 of the Plan.

2.30 “*Tandem Option*” shall mean a Non-Qualified Stock Option issued in tandem with a Stock Appreciation Right.

2.31 “*Termination of Employment*” shall mean a termination of employment from the Company and all Affiliates.

SECTION 3. — Administration

3.1 *Power and Authority of the Committee*. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan, (iii) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) each Award, (iv) determine the terms, conditions and restrictions of any Award or Award Agreement, (v) amend the terms and conditions of any Award or Award Agreement and accelerate the exercisability of Options or the lapse of restrictions relating to Restricted Stock, Restricted Stock Units or other Awards, (vi) accept the surrender of outstanding Awards and substitute new Awards, (vii) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or cancelled, forfeited or suspended, (viii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee, (ix) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan, (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or beneficiary of any Award and any employee of the Company or any Affiliate.

3.2 _Delegation_. The Committee may delegate its powers and duties under the Plan to one or more officers of the Company or any Affiliate or a committee of such officers, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion.

Section 4. — Shares Available for Awards; Annual Limit on Grants

4.1 _Shares Available_. Subject to adjustments as provided in Section 9.1, the number of shares available for the granting of Awards under the Plan shall be 7,200,000 of which not more than 2,820,000 Shares shall be granted as stock-based Awards, as described in Section 6, other than Options and stock-settled Stock Appreciation Rights. Shares to be issued under the Plan may be either Shares which have been reacquired and are held in treasury or Shares which are authorized but unissued. If any Shares covered by an Award (or to which an Award relates) are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting of Awards under the Plan. Notwithstanding the foregoing, the full number of Shares subject to exercised stock-settled Stock Appreciation Rights shall count against the aggregate Plan Share limitation set forth in this Section 4.1 and shall not again be available for granting of Awards under the Plan. In addition, Shares withheld to satisfy taxes required to be withheld for any Award shall count against the Plan Share limitations set forth in this Section 4.1 and shall not again be available for granting of Awards under the Plan and Shares not issued because the holder of any Tandem Option exercises the accompanying Stock Appreciation Right shall not be subject to future Award by the Committee.

Notwithstanding the foregoing, the number of Shares available for granting Incentive Stock Options under the Plan shall not exceed 4,200,000, subject to adjustment as provided in Section 9.1 of the Plan and Section 422 or 424 of the Code or any successor provisions.

4.2 _Maximum Annual Awards to an Eligible Person_. The maximum number of Shares with respect to which Options and Stock Appreciation Rights may be issued under the Plan to an Eligible Person in a calendar year is 450,000, subject to adjustment as provided in Section 9.1 of the Plan. In addition, the maximum number of Shares under a Performance Award that may be issued in any calendar year is 225,000, subject to adjustment as provided in Section 9.1 of the Plan.

4.3 _Accounting for Awards_. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of the grant of such Award against the aggregate number of Shares available under the Plan.

Section 5. — Participation

Participation in the Plan shall be limited to those Eligible Persons selected by the Committee. Awards may be granted to such Eligible Persons and for such number of Shares as the Committee shall determine, subject to the limitations in Section 4. An Award of any type made in any one year to an Eligible Person shall neither guarantee nor preclude a further Award of that or any other type to such Eligible Person in that year or subsequent years other than as provided in Section 4.

In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account such factors as the Committee, in its discretion, shall deem relevant (such factors may include the nature of the services rendered by the Eligible Person and the Eligible Person’s present and potential contributions to the success of the Company). Notwithstanding the foregoing, an Incentive Stock Option (a) may only be granted to full or part-time employees as defined by Section 3401(c) of the Code (including officers and directors who are also employees) of the Company and (b) shall not be granted to an employee of an Affiliate which is not a “subsidiary corporation” of the Company (as defined in Section 424(f) of the Code or any successor provision).

Section 6. — Awards

6.1 _Options_. The Committee is authorized to grant Options to Participants. Options granted shall be subject to the terms and conditions forth in this Section 6.1, the other provisions of the Plan, and any additional terms and conditions as the Committee shall determine (including those specified in the Award Agreement) which are not inconsistent with the provisions of the Plan.

(a) *Exercise Price*. The price per Share purchasable under an Option shall be determined by the Committee. Such purchase price per share shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option (110% in the case of an Incentive Stock Option granted to a 10-percent Shareholder as defined in Code Section 422(c)(5)). Subject to Section 9.1, in no event may the Committee reduce the exercise price of an Option after the original grant date.

(b) *Option Term*. Subject to the provisions of the Plan, the term of each Option shall be specified by the Committee. In no event shall an Incentive Stock Option be exercisable more than ten years (5 years in the case of a 10-percent Shareholder within the meaning of Code Section 422(c)(5)) from the date it is granted. Prior to the exercise of the Option and delivery of the stock subject to the Option, a Participant shall not have any rights to receive any dividends or be entitled to any voting rights on any stock represented by outstanding Options.

(c) *Time and Method of Exercise of Options*. The Committee shall determine the time or times at which an Option may be exercised in whole or in part (provided that all Options granted on or after February 20, 2002 shall have a minimum vesting schedule of three (3) years (subject to Section 6.1(e)) and the method(s) by which and the form(s) in which payment of the exercise price may be made or deemed to be made (including, without limitation, cash, Shares, other securities, other Awards, other property or any combination thereof having a Fair Market Value on the exercise date equal to the relevant exercise price).

(d) *Restoration Options*. The Committee may grant Restoration Options, separately or together with another Option to an Eligible Person. An Award of Restoration Options shall be subject to the terms and conditions established by the Committee and any applicable requirements of Rule 16b-3 or any other applicable law. Any such Award is contingent on Participant as the Holder of an option (“Original Option”) paying the exercise price of the Original Option. The Restoration Option would be an Option to purchase at 100% Fair Market Value as of the date of exercise of the Original Option, a number of Shares not exceeding the sum of (i) the number of Shares so provided as consideration upon the exercise of the Original Option and (ii) the number of Shares, if any, tendered or withheld as payment of the amount to be withheld under applicable tax laws in connection with the exercise of the Original Option pursuant to the relevant Plan provisions or Original Option Award Agreement. The Restoration Option may not be exercised until the shares acquired upon exercise of the Original Option are held for a period of at least one year and the term of the Restoration Option shall not extend beyond the term of the Original Option. Restoration Options may be granted with respect to Options previously granted under the Plan or any other stock option plan of the Company, and may be granted in connection with any Option granted under the Plan or any other stock option plan of the Company at the time of such grant.

(e) *Early Termination of Option*. The rules regarding the exercise and/or termination of Options upon a Participant’s Disability, death, Termination of Employment or ceasing to be a Director will be provided in Participant’s Award Agreement with the Company.

(f) *Change of Control*. The exercise of Options in the event of a Change in Control will be treated as provided in Participant’s Award Agreement with the Company.

(g) *Option Repricing*. No action shall be taken, without the approval of the Shareholders, to authorize the amendment of any outstanding Option to reduce the exercise price of such option. Furthermore, no Option shall be cancelled and replaced with an Option having a lower exercise price without the approval of the Shareholders. This Section 6.1(g) shall not be construed to prohibit the adjustments provided for in Section 9.1.

(h) *Other Restrictions on Incentive Stock Options*. The terms and conditions of any Incentive Stock Options granted under this Plan shall comply with Code Section 422. The aggregate Fair Market Value (determined as of the grant date) of Shares subject to Incentive Stock Options exercisable by any Participant in any calendar year under this Plan or any other plan of the Company or any Affiliate or any related corporation (as defined in the applicable regulations under the Code) may not exceed $100,000 or such higher amount as may be permitted from time to time under Section 422 of the Code. To the extent that such aggregate Fair Market Value exceeds $100,000 (or, applicable higher amount), such Options shall be treated as Options which are not Incentive Stock Options.

6.2 *Stock Appreciation Rights*. Subject to Section 4, the Committee is authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer upon the holder a right to receive, upon exercise of the right related to one Share, an amount in cash or Shares with a Fair Market Value, in either case, equal to the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right.

Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, methods of settlement, and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

6.3 *Restricted Stock and Restricted Stock Units*. The Committee is authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants under the terms set forth in this Section 6.3, the other Plan provisions and with such additional conditions and restrictions as the Committee may impose which are not inconsistent with provisions of the Plan.

(a) *Restrictions*. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee imposes which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate. The Award Agreement for an Award of Restricted Stock or Restricted Stock Units shall specify the applicable restrictions on such Shares, if any, the duration of such restrictions, and the time or times at which such restrictions shall lapse with respect to all or a specified number of shares that are part of the Award. In addition, the Committee may specify certain performance criteria, the attainment of which will accelerate the lapse of the applicable restrictions. Notwithstanding the foregoing, the Committee may reduce or shorten the duration of any restriction applicable to any shares awarded to any Participant under the Plan.

(b) *Certificates*. Any Award of Restricted Stock may be evidenced in such manner as the Committee may deem appropriate, including, but not limited to, book-entry registration or issuance of a stock certificate or certificates subject to forfeiture if the restrictions do not lapse. In the event a stock certificate is issued: (1) the certificate shall be registered in the name of Participant and shall bear a legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock and (2) shall be held by the Company. Except as otherwise provided by the Committee, during such period of restriction Participant shall have all of the rights of a Shareholder, including but not limited to the rights to receive dividends (or dividend equivalents) and to vote. If shares are issued only upon lapse of restrictions, the Committee may provide that Participant will be entitled to receive any amounts per share pursuant to any dividend or distribution paid by the Company on its Common Stock to Shareholder of record after the Award date and prior to the issuance of the Shares. In the case of Restricted Stock Units, no shares shall be issued at the time such Awards are granted.

(c) *Forfeiture*. Rules regarding the forfeiture of Restricted Stock or Restricted Stock Units subject to restrictions upon a Change of Control, or the Participant's Disability, death, Termination of Employment or ceasing to be a Director will be determined in accordance with Participant's Award Agreement with the Company.

(d) *Lapse of Restrictions*. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after the restrictions on the Restricted Stock have expired, lapsed or been waived. After the expiration, lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units, Shares related to such Restricted Stock Units shall be issued and delivered to the holders of the Restricted Stock Units in accordance with such terms as may be specified by the Committee.

6.4 *Dividend Equivalents*. The Committee is authorized to grant to Participants Awards of Dividend Equivalents under which the holders thereof shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined by the Committee, in its discretion) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to the number of Shares determined by the Committee. Such amounts shall be payable on the date or dates as determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan and any applicable Award Agreement, such Awards may have such terms and conditions as the Committee shall determine.

6.5 *Performance Awards*. The Committee is authorized to grant Performance Awards to Participants. Once established, the Committee shall not have discretion to modify the criteria for receiving a Performance Award except with respect to any discretion specifically granted to the Committee under this Plan. Subject to the terms of the Plan and any applicable Award Agreement, a Performance Award granted under the Plan may be an Award of Common Stock, Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units (or any other right, the value of which is determined by reference to Shares) and such Award may be payable in cash, Shares, other securities or other property. The value of such Performance Awards shall be determined by the Committee and the Performance Awards shall be payable to, or exercisable by, Participant, in whole or in part, upon the achievement of the performance goals during the applicable measurement period specified by the Committee.

(a) *Amount of Performance Awards*. At the end of the measurement period, the Committee shall determine the percentage, if any, of the Performance Awards granted to Participant for that measurement period that are earned by Participant as his Performance Award. That percentage shall be based on the degree to which the performance goals for that measurement period are satisfied. The formula for determining the correlation between the percentages of the Performance Awards earned and the level of performance for a measurement period shall be established in writing by the Compensation Committee at the time the performance goals are determined. Prior to the payment of any Performance Awards, the Compensation Committee must certify the degree of attainment of the applicable performance goals.

(b) *Performance Goals*. Performance goals used to compute Performance Awards shall be based on the Company's business planning process and shall be adopted by the Committee in writing either (1) prior to the beginning of the measurement period to which they apply or (2) not later than 90 days after the commencement of the measurement period provided that at such time the outcome of the performance goals is substantially uncertain. The performance goals shall be comprised of one or more of the following performance measures: (1) total return to Shareholders, (2) cash flow, (3) return on assets, capital, equity or sales, (d) stock price, and (e) earnings per share. Any such performance goals and the applicable performance measures will be determined by the Committee at the time of grant and reflected in a written Award Agreement.

(c) *Compliance with Section 162(m)*. All payments under Performance Awards will be designed to satisfy the exception under Section 162(m) of the Code, and related regulations for performance-based compensation, and all Awards hereunder shall be subject to the limitations of Section 162(m).

6.6 *Other Stock-Based Awards*. The Committee is authorized, to the extent permitted under Rule 16b-3 and other applicable law, to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, Shares or other securities delivered to Participant pursuant to a purchase right granted under this Section 6.6 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, (including, without limitation, cash, Shares, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

6.7 *General*.

(a) *Consideration for Awards*. Except in the case of Awards issued in connection with compensation that has been deferred or an Award issued pursuant to Section 6.6, Awards shall be granted for no cash consideration or such minimal cash consideration as may be required by applicable law.

(b) *Awards May Be Granted Separately or Together*. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate, may be granted either at the same time or at a different time from the grant of such other Award or awards.

(c) *Forms of Payment Under Awards*. Subject to the terms of the Plan and of any applicable Award Agreement, payment or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof), and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installments or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(d) *Correction of Defects, Omissions, and Inconsistencies*. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

(e) *Time and Method of Exercise*. The Committee shall determine the time or times at which Awards granted pursuant to Sections 6.2 through 6.6 may be exercised in whole or in part (provided that all such Awards granted after February 20, 2002 shall have a minimum vesting schedule of three (3) years, except that rules regarding the exercise and or termination of Awards upon a Participant's Disability, death, Termination of Employment or ceasing to be a Director will be provided in Participant's Award Agreement with the Company).

Section 7. — Transferability

7.1 *General*. Except as provided in Section 7.2, no Award granted under the Plan shall be transferable by Participant otherwise than by will or the laws of descent and distribution. Any attempted pledge, alienation, attachment, assignment or encumbrance of an Award that is not specifically authorized in accordance with Section 7.2 shall be void.

Each Award or right under an Award may be exercised during Participant's lifetime only by Participant, his permitted transferee under Section 7.2 or if permissible under applicable state law Participant's guardian or legal representative. However, the Committee may permit Participant to designate, in the manner specified by the Committee, a beneficiary or beneficiaries to exercise the right of Participant and receive any property distributable with respect to an Award upon the death of Participant.

7.2 *Permitted Transfers*. The Committee may, in its discretion, authorize all or a portion of an Award of Non-Qualified Stock Options or Stock Appreciation Rights settled in stock to be granted on terms which permit transfer by Participant to a "Family Member" (as defined below), provided the transfer is through a gift or a domestic relations order. For purposes of this Section 7.2, "Family Member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, a trust for the exclusive benefit of these persons and any other entity owned solely by these persons. The Award Agreement pursuant to which such Options or Stock Appreciation Rights are granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Section 7.2. The terms of any such transferred Award shall continue to be applied with respect to Participant, following which the Award shall be exercisable by the Transferee only to the extent and for the periods that would have applied to Participant.

Section 8 . — Listing and Registration

All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the Shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

Section 9. — Adjustments; Business Combinations

9.1 *Adjustment Upon Corporate Transaction*. In the event of (a) dividend or other distribution (whether in the form of cash, Shares, other securities or other property), (b) recapitalization, (c) stock split, (d) reverse stock split, (e) reorganization, (f) merger, (g) consolidation, (h) split-up, (i) spin-off, (j) combination, (k) repurchase or exchange of Shares or other securities of the Company, (l) issuance of warrants or other rights to purchase Shares or other securities of the Company or (m) other similar corporate transaction or event affects the Shares, the Committee may determine that an adjustment would be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. In this event, the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number, type and issuer of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number type and issuer of Shares (or other securities or other property) subject to outstanding Awards and (iii) the purchase or exercise price with respect to any Award; provided, however, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number.

9.2 *Liability of Survivor*. In the event of any corporate reorganization or transaction including any event described in Section 9.1, the surviving entity or successor corporation shall be bound by the terms and conditions of the provisions of this Plan and any Awards issued under this Plan.

Section 10. — Termination and Modification of the Plan

10.1 *General*. Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the Plan or an Award Agreement may be terminated or modified as specified in this Section 10.

10.2 *Amendments to the Plan*. The Board without further approval of the Shareholders may amend, alter, suspend, discontinue or terminate the Plan. Notwithstanding the foregoing the Board may condition any amendment and provide that no modification shall become effective without prior approval of the Shareholders if Shareholder approval would be required for:

(i) continued compliance with Rule 16b-3 of the Securities and Exchange Commission;

(ii) compliance with the rules and regulations of the New York Stock Exchange or any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company;

(iii) the granting of Incentive Stock Options under the Plan, or

(iv) continued compliance with Section 162(m) of the Code.

The Board may not amend Section 6.1(g) hereof without the approval of the Shareholders.

10.3 *Amendments to Awards*. Subject to Section 6.1(g) hereof, the Committee may amend or modify the grant of any outstanding Award in any manner to the extent that the Committee would have had the authority to make such Award as so modified or amended including, but not limited to, a change of the date or dates as of which (a) an Option becomes exercisable or (b) Restrictions on Shares are to be removed. No modification may be made that would materially adversely affect any Award previously made under the Plan without the approval of Participant or holder or beneficiary.

10.4 *Other Amendment*. The Committee shall be authorized to make minor or administrative modifications to the Plan and Awards as well as modifications to the Plan and Awards that may be dictated by requirements of federal or state laws applicable to the Company or that may be authorized or made desirable by such laws. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to continue the operation of the Plan.

Section 11. — Income Tax Withholding: Tax Bonuses

11.1 *Withholding*. In order to comply with all applicable federal or state income tax laws or regulations, the Committee may take such action as it deems appropriate to ensure that all applicable federal, state and local payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Participant, are withheld or collected from such Participant. In order to assist Participant in paying all or a portion of the federal, state and local taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit Participant to satisfy such tax obligation by (a) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes; (b) delivering to the Committee Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value (on the date the tax is withheld) equal to the amount of such taxes or (c) delivering to the Company cash, check (bank check, certified check or personal check), money order or wire transfer equal to such taxes. Any election to have Shares withheld must be made on or before the date that the amount of tax to be withheld is determined.

11.2 *Tax Bonuses*. The Committee, in its discretion, shall have the authority, at the time of grant of any Award under this Plan or at any time thereafter, to approve cash bonuses to designated Participants to be paid upon their exercise or receipt of (or the lapse of restrictions relating to) Awards in order to provide funds to pay all or a portion of federal and state and local taxes due as a result of such exercise or receipt (or the lapse of such restrictions). The Committee shall have full authority in its discretion to determine the amount of any such tax bonus.

Section 12. — General Provisions

12.1 *No Rights to Awards*. No Eligible Person, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

12.2 *Award Agreements*. Each Eligible Person to whom a grant is made under the Plan shall enter into a written agreement with the Company that shall contain such provisions, consistent with the provisions of the Plan, as may be established by the Committee. No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company.

12.3 *No Limit on Other Compensation Arrangements*. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

12.4 *No Right to Employment*. The grant of an Award shall not be construed as giving Participant the right to be retained in the employ of the Company or any Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Participant from employment free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

12.5 *Governing Law*. The validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award, shall be determined in accordance with applicable federal laws and the laws of the State of Georgia.

12.6 *Severability*. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provisions shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

12.7 *No Trust or Fund Created*. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

12.8 *No Fractional Shares*. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

12.9 *Limitation on Benefits*. With respect to persons subject to Rule 16b-3, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under such Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

12.10 *Headings*. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 13. — Effective Date

The Plan is effective upon the date of adoption by the Board subject to approval of Shareholders at the February 3, 2000 meeting of Shareholders. Unless previously terminated, the Plan shall terminate ten years from the effective date. Notwithstanding the prior sentence, an Award granted under this Plan may have terms or rights which may extend beyond the date the Plan terminates and the rights of the Committee under the Plan and the Board to amend the Plan may likewise extend beyond the date of the Plan’s termination.

Section 14. — Exchange Program

Notwithstanding any other provision of the Plan to the contrary, including but not limited to Section 6.1(g) hereof, the Company, by action of the Committee, may effect an Option and stock-settled Stock Appreciation Right (“SSAR”) exchange program on the terms set forth herein (the “Exchange Program”), to be commenced through an exchange offer prior to August 5, 2009, provided that in no event may more than one offer to exchange be made for any outstanding Option or SSAR. Under any exchange offer, Eligible Employees will be offered the opportunity to exchange Eligible Options/SSARs (the “Surrendered Awards”) for new Restricted Stock (the “New Restricted Stock”), as follows: (1) the shares subject to the New Restricted Stock shall have a Fair Market Value equal to the value (determined using the Black-Scholes option pricing model as of a date immediately prior to commencement of any exchange offer) of the Surrendered Awards; and (2) the New Restricted Stock will vest, subject to Section 6.3(c) of the Plan, in two equal annual installments, on the first and second anniversaries of the date of grant. Shares subject to Surrendered Awards will not be available for granting of Awards under the Plan. “Eligible Employees” means employees of the Company or any Affiliate other than executive officers (as defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended). “Eligible Awards” means any Option or SSAR that has an exercise price in excess of $26. Subject to the foregoing, the Committee shall be permitted to determine additional terms, restrictions or requirements relating to the Exchange Program.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing is the Plan adopted by the Board of Directors of the Company as of the second day of November, 1999 as amended through August 5, 2008.

/s/ Peggy J. Caldwell
Secretary

Exhibit 31.1

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

I, Ian J. McCarthy, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 third fiscal quarter of the fiscal year ended September 30, 2008 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: August 8, 2008

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

Exhibit 31.2

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

I, Allan P. Merrill, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 third fiscal quarter of the fiscal year ended September 30, 2008 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 function):
   - (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: August 8, 2008

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

Exhibit 32.1

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Beazer Homes USA, Inc. (the “Company”) hereby certifies that the Report on Form 10-Q of the Company for the period ended June 30, 2008, 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: August 8, 2008	/s/ Ian J. McCarthy
	Ian J. McCarthy
	President and Chief Executive Officer

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

Exhibit 32.2

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of Beazer Homes USA, Inc. (the "Company") hereby certifies that the Report on Form 10-Q of the Company for the period ended June 30, 2008, 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.

August 8, 2008	Date:/s/ Allan P. Merrill
	Allan P. Merrill
	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.