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 March 31, 2010

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 30328
(Address of principal executive offices) (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES o 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):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO ☑

Class	Outstanding at April 30, 2010
Common Stock, $0.001 par value	62,188,862 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. 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, 2009. Such factors may include:

- the final outcome of various putative class action lawsuits, multi-party suits and similar proceedings as well as the results of any other litigation or government proceedings and fulfillment of the obligations in the Deferred Prosecution Agreement and other settlement agreements and consent orders with governmental authorities;
- 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 or reductions in our tangible net worth or liquidity levels;
- potential inability to comply with covenants in our debt agreements, or satisfy such obligations through repayment or refinancing
- 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 communities 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 including those related to possible installation of drywall imported from China;
- the cost and availability of insurance and surety bonds;
- 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)

	March 31, 2010	September 30, 2009
ASSETS		
Cash and cash equivalents	$ 524,468	$ 507,339
Restricted cash	43,254	49,461
Accounts receivable (net of allowance of $3,777 and $7,545, respectively)	33,644	28,405
Income tax receivable	8,763	9,922
Inventory		
Owned inventory	1,269,265	1,265,441
Consolidated inventory not owned	49,025	53,015
Total inventory	1,318,290	1,318,456
Investments in unconsolidated joint ventures	21,428	30,124
Deferred tax assets, net	7,770	7,520
Property, plant and equipment, net	23,450	25,939
Other assets	43,903	52,244
Total assets	$ 2,024,970	$ 2,029,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 71,499	$ 70,285
Other liabilities	211,139	227,315
Obligations related to consolidated inventory not owned	30,226	26,356
Senior Notes (net of discounts of $25,353 and $27,257, respectively)	1,237,552	1,362,902
Mandatory Convertible Subordinated Notes	57,500	—
Junior Subordinated Notes	46,436	103,093
Other secured notes payable	11,168	12,543
Model home financing obligations	6,297	30,361
Total liabilities	1,671,817	1,832,855
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, 62,188,862 and 43,150,472 issued and 62,188,862 and 39,793,316 outstanding, respectively)	62	43
Paid-in capital	487,332	568,019
Accumulated deficit	(134,241)	(187,538)
Treasury stock, at cost (0 and 3,357,156 shares, respectively)	—	(183,969)
Total stockholders' equity	353,153	196,555
Total liabilities and stockholders' equity	$ 2,024,970	$ 2,029,410

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Total revenue	**$ 198,185**	$ 186,624	**$ 416,969**	$ 404,793
Home construction and land sales expenses	**161,973**	165,881	**352,609**	359,399
Inventory impairments and option contract abandonments	**10,170**	42,929	**18,997**	55,319
Gross profit (loss)	**26,042**	(22,186)	**45,363**	(9,925)
Selling, general and administrative expenses	**44,869**	66,244	**90,678**	120,184
Depreciation and amortization	**2,747**	4,336	**6,171**	7,974
Goodwill impairment	**—**	—	**—**	16,143
Operating loss	**(21,574)**	(92,766)	**(51,486)**	(154,226)
Equity in loss of unconsolidated joint ventures	**(8,779)**	(8,356)	**(8,822)**	(9,763)
Gain on extinguishment of debt	**52,946**	—	**52,946**	—
Other expense, net	**(18,037)**	(19,238)	**(37,568)**	(37,423)
Income (loss) from continuing operations before income taxes	**4,556**	(120,360)	**(44,930)**	(201,412)
Benefit from income taxes	**(1,688)**	(11,621)	**(95,709)**	(13,514)
Income (loss) from continuing operations	**6,244**	(108,739)	**50,779**	(187,898)
(Loss) income from discontinued operations, net of tax	**(946)**	(6,184)	**2,518**	(7,300)
Net income (loss)	**$ 5,298**	$ (114,923)	**$ 53,297**	$ (195,198)
Weighted average number of shares:				
Basic	**58,314**	38,662	**48,463**	38,627
Diluted	**69,147**	38,662	**56,933**	38,627
Basic earnings (loss) per share:				
Continuing operations	**$ 0.11**	$ (2.81)	**$ 1.05**	$ (4.86)
Discontinued operations	**$ (0.02)**	$ (0.16)	**$ 0.05**	$ (0.19)
Total	**$ 0.09**	$ (2.97)	**$ 1.10**	$ (5.05)
Diluted earnings (loss) per share:				
Continuing operations	**$ 0.10**	$ (2.81)	**$ 0.94**	$ (4.86)
Discontinued operations	**$ (0.01)**	$ (0.16)	**$ 0.05**	$ (0.19)
Total	**$ 0.09**	$ (2.97)	**$ 0.99**	$ (5.05)

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	**$ 53,297**	$ (195,198)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**6,171**	8,122
Stock-based compensation expense	**5,433**	6,255
Inventory impairments and option contract abandonments	**19,156**	64,464
Goodwill impairment	**—**	16,143
Deferred income tax benefit	**(250)**	(11,120)
Excess tax benefit from equity-based compensation	**2,057**	1,797
Equity in loss of unconsolidated joint ventures	**11,553**	9,754
Cash distributions of income from unconsolidated joint ventures	**75**	1,700
Gain on early debt extinguishment	**(52,946)**	(3,574)
Provision for doubtful accounts	**(3,768)**	(3,298)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	**(1,471)**	20,811
Decrease in income tax receivable	**1,159**	161,376
(Increase) decrease in inventory	**(13,675)**	70,305
Decrease in other assets	**10,308**	23,054
Increase (decrease) in trade accounts payable	**1,214**	(49,183)
Decrease in other liabilities	**(17,909)**	(104,795)
Other changes	**1,878**	(32)
Net cash provided by operating activities	**22,282**	16,581
Cash flows from investing activities:		
Capital expenditures	**(3,379)**	(3,441)
Investments in unconsolidated joint ventures	**(4,862)**	(4,189)
Increase in restricted cash	**(22,963)**	(21,451)
Decrease in restricted cash	**29,170**	10,218
Net cash used in investing activities	**(2,034)**	(18,863)
Cash flows from financing activities:		
Repayment of other secured notes payable	**(1,375)**	(992)
Repayment of senior notes payable	**(127,254)**	—
Repayment of model home financing obligations	**(23,788)**	(18,699)
Debt issuance costs	**(3,912)**	(1,018)
Common stock redeemed	**(134)**	(19)
Common stock issued	**97,901**	—
Issuance of Mandatory Convertible Subordinated Notes	**57,500**	—
Excess tax benefit from equity-based compensation	**(2,057)**	(1,797)
Net cash used in financing activities	**(3,119)**	(22,525)
Increase (decrease) in cash and cash equivalents	**17,129**	(24,807)
Cash and cash equivalents at beginning of period	**507,339**	584,334
Cash and cash equivalents at end of period	**$ 524,468**	$ 559,527

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 GAAP 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, 2009 (the 2009 Annual Report). Results from our mortgage origination business and our exit markets are reported as discontinued operations in the accompanying unaudited condensed consolidated statements of operations for all periods presented (see Note 13 for further discussion of our Discontinued Operations). We evaluated events that occurred after the balance sheet date but before the financial statements were issued or are available to be issued for accounting treatment and disclosure in accordance with Accounting Standards Codification (ASC), *Subsequent Events* (ASC 855).

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. 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* (ASC 360). Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct and close all the homes in a typical community. However, the impact of the recent 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 is 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 inventories 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, (1) adverse trends in new orders, (2) higher than anticipated cancellations, (3) declining margins which might result from the need to offer incentives to new homebuyers to drive sales or price reductions or other actions taken by our competitors, (4) 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 and (5) a decline in the availability of credit across all industries.

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. Direct selling expenses include commission, closing costs, and amortization related to model home furnishings and improvements;
- 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 of 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 homebuilding inventory 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. The assumptions used in our discounted cash flow models are specific to each community tested for impairment. Historically we did not include market improvements except in limited circumstances in the latter years of long-lived communities. Beginning in the fourth quarter of fiscal 2009, we assumed limited market improvements in some communities beginning in fiscal 2011 and continuing improvement in these communities in subsequent years. We assumed the remaining communities would have market improvements beginning in fiscal 2012.

For the six months ended March 31, 2010, we used discount rates of 14.25% to 20.0%, in our estimated discounted cash flow impairment calculations. During the three and six months ended March 31, 2010, we recorded impairments of our inventory by our continuing operations of $10.2 million and $17.9 million, respectively for land under development and homes under construction. For the three and six months ended March 31, 2009, we recorded impairments of our inventory by our continuing operations of $35.1 million and $47.0 million, respectively for land under development and homes under construction.

Due to uncertainties in the estimation process, particularly with respect to projected home sales prices and absorption rates, the timing and amount of the estimated future cash flows and discount rates, it is reasonably possible that actual results could differ from the estimates used in our 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 our 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 Future Development. For those communities for which construction and development activities are expected to occur in the future or have been idled (land held for future development), all applicable interest and real estate taxes are expensed as incurred and the inventory is stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. The future enactment of a development plan or the occurrence of events and circumstances may indicate that the carrying amount of an asset may not be recoverable.

Asset 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. The following criteria are used to determine if land is held for sale:

- management has the authority and commits to a plan to sell the land;
- the land is available for immediate sale in its present condition;
- there is an active program to locate a buyer and the plan to sell the property has been initiated;
- the sale of the land is probable within one year;

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

Additionally, in certain circumstances, management will re-evaluate the best use of an asset that is currently being accounted for as held for development. In such instances, management will review, among other things, the current and projected competitive circumstances of the community, including the level of supply of new and used inventory, the level of sales absorptions by us and our competition, the level of sales incentives required and the number of owned lots remaining in the community. If, based on this review and 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 six months ended March 31, 2010, we recorded inventory impairments on land held for sale by our continuing operations of $0 and $1.1 million, respectively, compared to $5.4 million and $5.6 million, respectively, for the three and six months ended March 31, 2009.

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. Historically we tested goodwill for impairment annually as of April 30 or more frequently if an event occurs or circumstances indicated that the asset might be impaired. During the quarter ended December 31, 2008 we impaired our remaining goodwill of $16.1 million and the Company had no goodwill remaining at March 31, 2010 or September 30, 2009.

Stock-Based Compensation. Compensation cost arising from nonvested stock awards 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. As of March 31, 2010 and September 30, 2009, there was $7.3 million and $9.6 million, respectively, of total unrecognized compensation cost related to nonvested stock awards. The cost remaining at March 31, 2010 is expected to be recognized over a weighted average period of 2.5 years. For the three and six months ended March 31, 2010, our total stock-based compensation expense, included in selling, general and administrative expenses (SG&A), was approximately $2.7 million ($1.8 million net of tax) and $5.4 million ($3.7 million net of tax), respectively. For the three and six months ended March 31, 2009, our total stock-based compensation expense was approximately $3.2 million ($2.3 million net of tax) and $6.3 million ($4.4 million net of tax), respectively. Activity relating to nonvested stock awards for the three and six months ended March 31, 2010 is as follows:

	Three Months Ended March 31, 2010		Six Months Ended March 31, 2010	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning of period	957,661	$ 26.01	1,126,880	$ 27.66
Granted	—	—	—	—
Vested	—	—	(153,098)	40.39
Forfeited	(55,411)	54.28	(71,532)	43.13
End of period	902,250	$ 24.28	902,250	$ 24.28

In addition, during the six months ended March, 31, 2010, employees surrendered 27,310 shares to us in payment of minimum tax obligations upon the vesting of stock awards under our stock incentive plans. We valued the stock at the market price on the date of surrender, for an aggregate value of approximately $134,000. There were no shares surrendered during the three months ended March 31, 2010.

The fair value of each option/stock-based stock appreciation right (SSAR) grant is estimated on the date of grant using the Black-Scholes option-pricing model. There were no options or SSAR grants in the three or six months ended March 31, 2010. The following

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table summarizes stock options and SSARs outstanding as of March 31, 2010, as well as activity during the three and six months then ended:

	Three Months Ended March 31, 2010		Six Months Ended March 31, 2010	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	1,601,732	$ 33.19	2,108,914	$ 33.07
Expired	(8,115)	5.92	(32,853)	26.14
Cancelled	—	—	(465,933)	33.04
Forfeited	(12,258)	22.96	(28,769)	23.12
Outstanding at end of period	1,581,359	$ 33.41	1,581,359	$ 33.41
Exercisable at end of period	470,689	$ 60.01	470,689	$ 60.01
Vested or expected to vest in the future	1,348,078	$ 31.08	1,348,078	$ 31.08

During the quarter ended December 31, 2009, certain executive officers and directors elected to relinquish 465,933 vested and outstanding options that had exercise prices above $20 per share in order to provide additional shares for use in a public offering of common shares that was completed in January 2010 (see Note 6 for further discussion). At March 31, 2010, the weighted-average remaining contractual life for all options/SSARs outstanding, currently exercisable, and vested or expected to vest in the future was 4.5 years, 2.8 years and 4.6 years, respectively.

At March 31, 2010, the 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 $4.54 as of March 31, 2010 were $0.4 million, $0 and $0.3 million. 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 six months ended March 31, 2010.

Other Liabilities. Other liabilities include the following:

(in thousands)	**March 31, 2010**	September 30, 2009
Income tax liabilities	**$ 50,715**	$ 50,850
Accrued warranty expenses	**26,666**	30,100
Accrued interest	**44,036**	32,533
Accrued and deferred compensation	**22,172**	29,379
Customer deposits	**6,834**	5,507
Other	**60,716**	78,946
Total	**$ 211,139**	$ 227,315

Recently Adopted Accounting Pronouncements. In September 2006, the FASB issued SFAS 157, *Fair Value Measurements (ASC 820)*. SFAS 157 (ASC 820) provides guidance for using fair value to measure assets and liabilities. SFAS 157 (ASC 820) 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 (ASC 820) includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157 (ASC 820)*, delaying the effective date of certain non-financial assets and liabilities to fiscal periods beginning after November 15, 2008. The company adopted SFAS 157 (ASC 820) on October 1, 2009 as discussed in Note 10.

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* (ASC 825). SFAS 159 (ASC 825) permits companies to measure certain financial instruments and other items at fair value. We have not elected the fair value option applicable under SFAS 159 (ASC 825).

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations* (ASC 815). SFAS 141R (ASC 815) 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 (ASC 815) is effective for any acquisitions completed by the Company after September 30, 2009.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB 51* (ASC 810). SFAS 160 (ASC 810) requires that a noncontrolling interest (formerly a 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. The adoption of SFAS 160 (ASC 810) did not have a material impact on our consolidated financial condition and results of operations as of March 31, 2010.

In June 2008, the FASB issued FSP EITF Issue No 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (ASC 260). FSP 03-6-1 (ASC 260) clarifies that non-vested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS 128, *Earnings per Share* (ASC 260) and requires that prior period EPS and share data be restated retrospectively for comparability. The Company grants restricted shares under a share-based compensation plan that qualify as participating securities. FSP 03-6-1 (ASC 260) was effective for the Company beginning October 1, 2009. The adoption of this guidance did not have a material impact on the Company's diluted earnings per share for the periods ended March 31, 2010 and 2009.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (ASC 470). FSP APB 14-1 (ASC 470) applies to convertible debt instruments that have a "net settlement feature" permitting settlement partially or fully in cash upon conversion. FSP APB 14-1 (ASC 470) was effective for the Company beginning October 1, 2009. Due to the fact that the Company's convertible securities cannot be settled in cash upon conversion, the adoption of FSP APB 14-1 (ASC 470) did not have a material impact on our consolidated financial condition and results of operations.

Recent Accounting Pronouncements Not Yet Adopted.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (ASC 810), which revises the approach to determining the primary beneficiary of a variable interest entity (VIE) to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a VIE. SFAS 167 (ASC 810) also requires enhanced disclosures to provide more information about an enterprise's involvement in a variable interest entity. SFAS 167 (ASC 810) is effective for the Company's fiscal year beginning October 1, 2010. The Company is currently reviewing the impact of adopting SFAS 167 (ASC 810) on our consolidated financial statements.

(2) Supplemental Cash Flow Information

During the six months ended March 31, 2010 and 2009, we paid interest of $48.8 million and $63.5 million, respectively. In addition, we paid income taxes of $0.2 million and $8.3 million for the six months ended March 31, 2010 and 2009, respectively. During the six months ended March 31, 2010 and 2009, we received tax refunds totaling $102.1 million and $168.4 million, respectively. We also had the following non-cash activity (in thousands):

	Six Months Ended March 31,	
	2010	2009
Supplemental disclosure of non-cash activity:		
Decrease in consolidated inventory not owned	**$ 3,870**	$ 38,968
Non-cash land acquisitions	**211**	780
Issuance of stock under deferred bonus stock plans	**2,158**	1,480

(3) Investments in Unconsolidated Joint Ventures

As of March 31, 2010, we participated in land development joint ventures in which Beazer Homes had less than a controlling interest. The following table presents our investment in our unconsolidated joint ventures, the total equity and outstanding borrowings of these joint ventures, and our estimated maximum exposure related to our guarantees of these borrowings, as of March 31, 2010 and September 30, 2009:

(in thousands)	**March 31, 2010**	September 30, 2009
Beazer’s investment in joint ventures	**$ 21,428**	$ 30,124
Total equity of joint ventures	**296,117**	328,875
Total outstanding borrowings of joint ventures	**395,961**	422,682
Beazer’s estimate of its maximum exposure to our loan-to-value maintenance guarantees	**—**	3,850
Beazer’s estimate of its maximum exposure to our repayment guarantees	**15,789**	15,789

The decrease in our investment in unconsolidated joint ventures from September 30, 2009 to March 31, 2010 relates primarily to additional investments of $4.8 million offset by impairments. For the three and six months ended March 31, 2010, the impairments of our investments in certain of our unconsolidated joint ventures, totaling $8.8 million and $11.5 million, respectively, were recorded in accordance with APB 18, *Equity Method of Accounting for Investments in Common Stock* (ASC 323), of which $2.7 million for the six months ended March 31, 2010 is included in loss from discontinued operations, net of taxes, in the accompanying unaudited condensed consolidated statements of operations. Similar impairments of our investments in certain of our unconsolidated joint ventures totaled $8.3 million and $9.6 million for the three and six months ended March 31, 2009, respectively. Excluding impairments, our equity in loss of unconsolidated joint ventures related to our continuing operations totaled $0.03 million and $0.07 million for the three and six months ended March 31, 2010, respectively and $0.02 million and $0.1 million for the three and six months ended March 31, 2009, respectively.

The aggregate debt of the unconsolidated joint ventures was $396.0 million and $422.7 million at March 31, 2010 and September 30, 2009, respectively. At March 31, 2010, total borrowings outstanding include $327.9 million related to one joint venture in which we are a 2.58% partner. The $26.7 million reduction in total outstanding joint venture debt during the period resulted primarily from debt payments of $29.5 million in accordance with loan agreements and/or negotiated settlements offset by loan draws of $2.8 million to fund the development activities of certain joint ventures. In December 2009, together with our joint venture partner, we reached agreement with a lender to the joint venture to pay down the joint venture’s outstanding debt by $7.4 million. In connection with this loan repayment, which was funded by capital contributions from both joint venture partners, the lender released the obligations under the related loan-to-value maintenance guarantee.

One of our joint ventures is in default under its debt obligations. During fiscal 2008, the lender to this joint venture, in which we have a 2.58% investment, 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 joint venture partners are currently in discussions with the lender. In December 2008, the lender filed individual lawsuits against some of the joint venture partners and certain of those partners’ parent companies (including the Company), seeking to recover damages under completion guarantees, among other claims. We intend to vigorously defend against this legal action. The Company’s share of the outstanding debt is approximately $14.5 million at March 31, 2010. Under the terms of the agreement, our repayment guarantee is estimated at $15.1 million, which is triggered in the event of bankruptcy of the joint venture. Due to recent discussions with our other joint venture partners and the mediators, and based on our revised estimates regarding the realizability of our investment, we impaired our equity interest of $8.8 million in this joint venture during the quarter ended March 31, 2010. Given the inherent uncertainties in this litigation, as of March 31, 2010, no accrual has been recorded, as additional losses, if any, related to this matter are not both probable and reasonably estimable.

In addition, certain of our joint venture partners have curtailed their funding of their allocable joint venture obligations. Given the inherent uncertainties in these negotiations, as of March 31, 2010, no accrual has been recorded, as obligations to Beazer, if any, related to these matters were not both probable and reasonably estimable.

Our joint ventures typically obtain secured acquisition, development and construction financing. Generally Beazer and our joint venture partners provide varying levels of guarantees of debt and other obligations for our unconsolidated joint ventures. At March 31, 2010, these guarantees included, for certain joint ventures, construction completion guarantees, loan-to-value maintenance agreements, repayment guarantees and environmental indemnities.

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 Oth*ers (ASC 400), 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. We have not recorded a liability for the contingent aspects of any guarantees that we determined were reasonably possible but not probable.

Construction Completion Guarantees

We and our joint venture partners may be 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 typically are obligated to fund these improvements through any financing commitments available under the applicable loans. A majority of these construction completion guarantees are joint and several with our partners. In those cases, we generally have a reimbursement arrangement with our partner which provides that neither party is responsible for more than its proportionate share of the guarantee. However, if our joint venture partner does not have adequate financial resources to meet its obligations under such reimbursement arrangement, we may be liable for more than our proportionate share, up to our maximum exposure, which is the full amount covered by the relevant joint and several guarantee. The guarantees cover a specific scope of work, which may range from an individual development phase to the completion of the entire project. No accrual has been recorded, as losses, if any, related to construction completion guarantees are not both probable and reasonably estimable.

Loan-to-Value Maintenance Agreements

We and our joint venture partners may 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 or require 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. The agreements generally require periodic reappraisals of the underlying property value. To the extent that the underlying property gets reappraised, the amount of the exposure under the loan-to value-maintenance (LTV) guarantee would be adjusted accordingly and any such change could be significant. In certain cases, we may be required to make a re-balancing payment following a reappraisal in order to reduce the applicable loan-to-value ratio to the required level.

Our estimate of the Company's portion of LTV guarantees of the unconsolidated joint ventures was $3.9 million at September 30, 2009. In December 2009, the Company and its joint venture partner reached an agreement with the lender of a joint venture to release the LTV guarantee and extend the related loan maturity up to two years in exchange for a loan repayment of $7.4 million. The Company and its joint venture partner each invested an additional $3.9 million in the joint venture during the quarter ended December 31, 2009. The joint venture used these investments to repay $7.4 million of its outstanding debt.

Repayment Guarantees

We and our joint venture partners have repayment guarantees related to certain joint ventures' borrowings. These repayment guarantees require the repayment of all or a portion of the debt of the unconsolidated joint venture only in the event the joint venture defaults on its obligations under the borrowing or in some cases only in the event the joint venture files for bankruptcy. Our estimate of Beazer's maximum exposure to our repayment guarantees related to the outstanding debt of its unconsolidated joint ventures was $15.8 million at March 31, 2010 and September 30, 2009.

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. For the quarters ended March 31, 2010 and 2009, we were not required to make any payments related to environmental indemnities. No accrual has been recorded, as losses, if any, related to environmental indemnities are not both probable and reasonably estimable.

(4) Inventory

(in thousands)	**March 31, 2010**	September 30, 2009
Homes under construction	**$ 299,205**	$ 219,724
Development projects in progress	**427,815**	487,457
Land held for future development	**410,734**	417,834
Land held for sale	**37,437**	42,470
Capitalized interest	**41,107**	38,338
Model homes	**52,967**	59,618
Total owned inventory	**$ 1,269,265**	$ 1,265,441

Homes under construction includes homes finished and ready for delivery and homes in various stages of construction. We had 244 ($41.4 million) and 270 ($46.3 million) completed homes that were not subject to a sales contract at March 31, 2010 and September 30, 2009, 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 future development consists of communities for which construction and development activities are expected to occur in the future or have been idled and are stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. All applicable interest and real estate taxes are expensed as incurred. During fiscal 2009 and 2008, the Company decided to reallocate capital employed through strategic sales of select properties and through the exiting of certain markets no longer viewed as strategic and has recorded such land as held for sale. Land held for sale as of March 31, 2010 and September 30, 2009 principally included land held for sale in the markets we decided to exit including Colorado and Charlotte, North Carolina.

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

	March 31, 2010				September 30, 2009			
	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	$ 286,012	$ 339,491	$ 5,558	$ 631,061	$ 282,753	$ 345,050	$ 8,171	$ 635,974
East Segment	344,125	47,556	1,375	393,056	340,859	49,097	2,927	392,883
Southeast Segment	125,029	23,687	423	149,139	121,621	23,687	423	145,731
Unallocated	61,645	—	—	61,645	56,992	—	—	56,992
Discontinued Operations	4,283	—	30,081	34,364	2,912	—	30,949	33,861
Total	$ 821,094	$ 410,734	$ 37,437	$ 1,269,265	$ 805,137	$ 417,834	$ 42,470	$ 1,265,441

Unallocated inventory above primarily includes capitalized interest and indirect construction costs that are not allocated to the segments. Projects in progress in our discontinued operations relate to homes repurchased in Denver related to soil compaction issues.

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

	Quarter Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Development projects and homes in process (Held for Development)				
West	**$ 4,402**	$ 19,654	**$ 6,949**	$ 27,487
East	**1,201**	3,721	**2,118**	6,624
Southeast	**3,962**	9,543	**7,381**	9,640
Unallocated	**592**	2,164	**1,472**	3,274
Subtotal	**$ 10,157**	$ 35,082	**$ 17,920**	$ 47,025
Land Held for Sale				
West	**$ —**	$ 2,796	**$ 1,061**	$ 2,957
East	**—**	307	**—**	307
Southeast	**—**	2,296	**—**	2,311
Subtotal	**$ —**	$ 5,399	**$ 1,061**	$ 5,575
Lot Option Abandonments				
West	**$ 7**	$ 64	**$ 7**	$ 76
East	**(2)**	1,506	**(1)**	1,716
Southeast	**8**	878	**10**	927
Subtotal	**$ 13**	$ 2,448	**$ 16**	$ 2,719
Continuing Operations	**$ 10,170**	$ 42,929	**$ 18,997**	$ 55,319
Discontinued Operations				
Held for Development	**$ —**	$ 49	**$ —**	$ 93
Land Held for Sale	**109**	8,777	**159**	8,858
Lot Option Abandonments	**—**	—	**—**	194
Subtotal	**$ 109**	$ 8,826	**$ 159**	$ 9,145
Total	**$ 10,279**	$ 51,755	**$ 19,156**	$ 64,464

The inventory held for development that was impaired during the three months ended March 31, 2010 represented 537 lots in 14 communities with an estimated fair value of $27.8 million compared to 1,752 lots in 22 communities with an estimated fair value of $43.4 million for the three months ended March 31, 2009. For the six months ended March 31, 2010, the inventory impaired represented 929 lots in 22 communities with an estimated fair value of $43.3 million compared to 2,091 lots in 28 communities with an estimated fair value of $66.7 million for the comparable period of the prior year. During the current period, for certain communities we determined that it was prudent to reduce sales prices or further increase sales incentives in response to factors including competitive market conditions. Because the projected cash flows used to evaluate the fair value of inventory are significantly impacted by changes in market conditions including decreased sales prices, the change in sales prices and changes in absorption estimates led to additional impairments in certain communities during the current quarter. In future periods, we may again determine that it is prudent to reduce sales prices, further increase sales incentives or reduce absorption rates which may lead to additional impairments, which could be material. The impairments recorded on our held for development inventory for the three and six months ended March 31, 2010 and 2009, primarily resulted from the competitive market conditions in those specific submarkets for the product and locations of these communities.

During the six months ended March 31, 2010, as a result of challenging market conditions and review of recent comparable transactions, certain of the Company’s land held for sale was further written down to net realizable value, less estimated costs to sell.

We also have access to land inventory through lot option contracts, which generally enable us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we have determined whether to exercise our lot option. A majority of our lot option contracts require a non-refundable cash deposit or irrevocable letter of credit based on a percentage of the purchase price of the land for the right to acquire lots during a specified period of time at a certain price. Under lot option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers. Under option contracts, our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated

approximately $31.4 million at March 31, 2010. This amount includes non-refundable letters of credit of approximately $3.8 million. The total remaining purchase price, net of cash deposits, committed under all options was $285.6 million as of March 31, 2010.

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

Certain of our option contracts are with sellers who are deemed to be VIEs under FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* (ASC 470). ASC 470 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. 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 unaudited condensed consolidated balance sheets at March 31, 2010 and September 30, 2009 reflect consolidated inventory not owned of $49.0 million and $53.0 million, respectively. We consolidated $39.6 million and $42.8 million of lot option agreements as consolidated inventory not owned pursuant to ASC 470 as of March 31, 2010 and September 30, 2009, respectively. In addition, as of March 31, 2010 and September 30, 2009, we recorded $9.4 million and $10.2 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 $30.2 million at March 31, 2010 and $26.4 million at September 30, 2009. 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.

(5) Interest

Our ability to capitalize all interest incurred during the three and six months ended March 31, 2010 and 2009 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 March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Capitalized interest in inventory, beginning of period	**$ 38,970**	$ 45,431	**$ 38,338**	$ 45,977
Interest incurred	**32,236**	33,332	**65,416**	67,253
Capitalized interest impaired	**(464)**	(1,416)	**(1,096)**	(1,953)
Interest expense not qualified for capitalization and included as other expense	**(19,565)**	(21,022)	**(40,097)**	(42,259)
Capitalized interest amortized to house construction and land sales expenses	**(10,070)**	(10,859)	**(21,454)**	(23,552)
Capitalized interest in inventory, end of period	**$ 41,107**	$ 45,466	**$ 41,107**	$ 45,466

(6) Earnings Per Share and Equity Transactions

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Income (loss) from continuing operations	**$ 6,244**	$ (108,739)	**$ 50,779**	$ (187,898)
Loss (income) from discontinued operations, net of tax	**(946)**	(6,184)	**2,518**	(7,300)
Net income (loss)	**$ 5,298**	$ (114,923)	**$ 53,297**	$ (195,198)
Weighted average number of shares outstanding — basic	**58,314**	38,662	**48,463**	38,627
Basic earnings (loss) per share from continuing operations	**$ 0.11**	$ (2.81)	**$ 1.05**	$ (4.86)
Basic (loss) earnings per share from discontinued operations	**$ (0.02)**	$ (0.16)	**$ 0.05**	$ (0.19)
Basic earnings (loss) per share	**$ 0.09**	$ (2.97)	**$ 1.10**	$ (5.05)
Diluted:				
Interest on convertible debt -net of taxes	**$ 660**	$ —	**$ 3,008**	$ —
Income (loss) from continuing operations for diluted EPS	**$ 6,904**	$ (108,739)	**$ 53,787**	$ (187,898)
(Loss) income from discontinued operations, net of tax for diluted EPS	**(946)**	(6,184)	**2,518**	(7,300)
Income (loss) for diluted EPS	**$ 5,958**	$ (114,923)	**$ 56,305**	$ (195,198)
Weighted average number of shares outstanding — basic	**58,314**	38,662	**48,463**	38,627
Effect of dilutive securities:				
Shares issuable upon conversion of convertible debt	**10,833**	—	**8,470**	—
Options to aquire common stock	**—**	—	**—**	—
Contingent shares (performance based stock)	**—**	—	**—**	—
Nonvested restricted stock	**—**	—	**—**	—
Weighted average number of shares outstanding — diluted	**69,147**	38,662	**56,933**	38,627
Diluted earnings (loss) per share from continuing operations	**$ 0.10**	$ (2.81)	**$ 0.94**	$ (4.86)
Diluted (loss) earnings per share from discontinued operations	**$ (0.01)**	$ (0.16)	**$ 0.05**	$ (0.19)
Diluted earnings (loss) per share	**$ 0.09**	$ (2.97)	**$ 0.99**	$ (5.05)

In computing diluted earnings per share for the three and six months ended March 31, 2010, options/SSARs to purchase 1.6 million and 1.8 million shares of common stock, respectively, were not included in the computation of diluted earnings per share because their inclusion would have been anti-dilutive. In computing diluted loss per share for the three and six months ended March 31, 2009, all common stock equivalents were excluded from the computation of diluted loss per share as a result of their anti-dilutive effect.

On November 18, 2005, our Board of Directors authorized a stock repurchase plan of up to ten million shares of our common stock. During the three and six months ended March 31, 2010 and 2009 we did not repurchase any shares. At March 31, 2010, there are approximately 5.4 million additional shares available for purchase pursuant to the plan; however, our repurchase program is suspended and any resumption of such program will be at the discretion of the Board of Directors and as allowed by our debt covenants and is unlikely in the foreseeable future.

Effective January 7, 2010, we amended our Section 382 Stockholder Rights Plan (the Rights Plan) to advance its expiration date to January 7, 2010. As a result, the Rights Plan is no longer in effect.

On January 12, 2010, we closed on our underwritten public offering of 22,425,000 shares of Beazer common stock. The Company utilized 3.4 million shares of treasury stock and received net proceeds of $97.9 million from the offering, after underwriting discounts, commissions and transaction expenses.

(7) Borrowings

At March 31, 2010 and September 30, 2009 we had the following long-term debt *(in thousands)*:

	Maturity Date	**March 31, 2010**	September 30, 2009
Secured Revolving Credit Facility	July 2011	$ —	$ —
8 5/8% Senior Notes*	May 2011	—	127,254
8 3/8% Senior Notes*	April 2012	303,599	303,599
Mandatory Convertible Subordinated Notes	January 15, 2013	57,500	—
6 1/2% Senior Notes*	November 2013	164,473	164,473
6 7/8% Senior Notes*	July 2015	209,454	209,454
8 1/8% Senior Notes*	June 2016	180,879	180,879
12% Senior Secured Notes*	October 2017	250,000	250,000
4 5/8% Convertible Senior Notes*	June 2024	154,500	154,500
Junior subordinated notes	July 2036	46,436	103,093
Other secured notes payable	Various Dates	11,168	12,543
Model home financing obligations	Various Dates	6,297	30,361
Unamortized debt discounts		(25,353)	(27,257)
Total		**$ 1,358,953**	$ 1,508,899

* Collectively, the “Senior Notes”

Secured Revolving Credit Facility —On August 5, 2009, we entered into an amendment to our Secured Revolving Credit Facility that reduced the size of the facility to $22 million. The Secured Revolving Credit Facility is provided by one lender. The Secured Revolving Credit Facility provides for future working capital and letter of credit needs collateralized by either cash or assets of the Company at our option, based on certain conditions and covenant compliance. As of March 31, 2010, we have elected to cash collateralize all letters of credit; however we have pledged approximately $1.0 billion of inventory assets to our revolving credit facility to collateralize potential future borrowings or letters of credit. The Secured Revolving Credit Facility contains certain covenants, including negative covenants and financial maintenance covenants, with which we are required to comply. Subject to our option to cash collateralize our obligations under the Secured Revolving Credit Facility upon certain conditions, our obligations under the Secured Revolving Credit Facility are secured by liens on substantially all of our personal property and a significant portion of our owned real properties. There were no outstanding borrowings under the Secured Revolving Credit Facility as of March 31, 2010 or September 30, 2009.

We entered into stand-alone, cash-secured letter of credit agreements with banks to maintain our pre-existing letters of credit that had been under our prior revolving credit facility and to provide for the issuance of new letters of credit. The letter of credit arrangements combined with our revolving credit facility provide a total letter of credit capacity of approximately $97 million. As of March 31, 2010, we have secured letters of credit using cash collateral in restricted accounts totaling $42.4 million. The Company may enter into additional arrangements to provide additional letter of credit capacity.

Senior Notes — The majority of our 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 Secured 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 March 31, 2010, under the most restrictive covenants of each indenture, no portion of our retained earnings was available for cash dividends or for share repurchases. The indentures provide 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. Specifically, each indenture (other than the indentures governing the convertible Senior Notes and the Senior Secured Notes) requires us to offer to purchase 10% of each series of Senior Notes at par if our consolidated tangible net worth (defined as stockholders’ equity less intangible assets as defined) is less than $85 million at the end of any two consecutive fiscal quarters. If triggered and fully subscribed, this could result in our having to purchase $117.5 million of notes, based on the original amounts of the applicable notes; however, this amount may be reduced by certain Senior Note repurchases (potentially at less than par) made after the triggering date.

In June 2004, we issued $180 million aggregate principal amount of 4 5/8% Convertible Senior Notes due 2024 (the Convertible Senior Notes). In August 2004, we filed a registration statement on Form S-3 with the SEC covering resales of the Convertible Senior Notes and the common stock issuable upon conversion. During the fourth quarter of fiscal 2007, the cumulative dividends declared to date caused a change in the conversion rate per $1,000 principal amount to an adjusted conversion rate of 20.1441 shares of common stock, representing a current conversion price of $49.64 per share. We may, at our option, redeem for cash the Convertible Senior Notes in whole or in part at any time on or after June 15, 2009 at specified redemption prices. Holders have the right to require us to purchase all or any portion of the Convertible Senior Notes for cash on June 15, 2011, June 15, 2014 and June 15, 2019. In each case, we will pay a purchase price equal to 100% of the principal amount of the Convertible Senior Notes to be purchased plus any accrued and unpaid interest, if any, and any additional amounts owed, if any to such purchase date.

During the quarter ended March 31, 2010, we completed an offer to exchange substantially all of the $250 million 12% Senior Secured Notes due 2017 (the Senior Secured Notes), which were registered under the Securities Act of 1933. These notes were originally issued at a price of 89.5% of their face amount (before underwriting and other issuance costs). Interest on the Senior Secured Notes is payable semi-annually in cash in arrears, commencing April 15, 2010. The Senior Secured Notes were issued under an indenture, dated as of September 11, 2009. The indenture contains covenants which, subject to certain exceptions, limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional indebtedness, engage in certain asset sales, make certain types of restricted payments, engage in transactions with affiliates and create liens on assets of the Company. Upon a change of control, as defined, the indenture requires us to make an offer to repurchase the Senior Secured Notes at 101% of their principal amount, plus accrued and unpaid interest. If we sell certain assets and do not reinvest the net proceeds in compliance with the indenture, then we must use the net proceeds to offer to repurchase the Senior Secured Notes at 100% of their principal amount, plus accrued and unpaid interest.

On January 8, 2010, we redeemed our 8 5/8% Senior Notes due 2011 at par totaling $127.3 million. This redemption resulted in a loss on debt extinguishment of $0.9 million due primarily to the acceleration of debt discount and issuance costs.

After October 15, 2012, we may redeem some or all of the Senior Secured Notes at redemption prices set forth in the indenture. The Senior Secured Notes are secured on a second priority basis by, subject to exceptions specified in the related agreements, substantially all of the tangible and intangible assets of the Company as defined. On January 21, 2010, we offered to exchange all of the Senior Secured Notes for an equal amount of 12% Senior Secured Notes due 2017 (the 12% Senior Secured Notes") which will be registered under the Securities Act of 1933.

As of March 31, 2010, we were in compliance with all covenants under our Senior Notes.

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 Secured Revolving Credit Facility and the Senior Notes.

On January 15, 2010, we completed an exchange of $75 million of our trust preferred securities issued by Beazer Capital Trust I for a new issue of $75 million of junior subordinated notes due July 30, 2036 issued by the Company (the New Junior Notes). The exchanged trust preferred securities and the related junior subordinated notes issued in 2006 have been cancelled effective January 15, 2010. The material terms of the New Junior Notes are identical to the terms of the original trust securities except that when the New Junior Notes change from a fixed rate to a variable rate in August 2016, the variable rate is subject to a floor of 4.25% and a cap of 9.25%. In addition, the Company now has the option to redeem the New Junior Notes beginning on June 1, 2012 at 75% of par value and beginning on June 1, 2022, the redemption price of 75% of par value will increase by 1.785% per year.

The aforementioned exchange has been accounted for as an extinguishment of debt and, as such, the New Junior Notes were recorded at their estimated fair value at the exchange date. Over the remaining life of the New Junior Notes, we will increase their carrying value until this carrying value equals the face value of the notes. We have recorded a pre-tax gain on extinguishment of $53.6 million in connection with this exchange.

Mandatory Convertible Subordinated Notes — On January 12, 2010, we issued $57.5 million aggregate principal amount of 7 1/2% Mandatory Convertible Subordinated Notes due 2013 (the Mandatory Convertible Subordinated Notes). Interest on the Mandatory Convertible Subordinated Notes is payable quarterly in cash in arrears, commencing April 15, 2010. Holders of the Mandatory Convertible Subordinated Notes have the right to convert their notes, in whole or in part, at any time prior to maturity, into shares of our common stock at a variable conversion rate based on the price of our stock. The conversion rate will range from 4.4547 to 5.4348 shares per $25 principal amount of notes. On the stated maturity date, the Mandatory Convertible Subordinated Notes, unless previously converted, will automatically convert into shares of our common stock, based on the conversion rate applicable on that date.

Other Secured Notes Payable — We periodically acquire land through the issuance of notes payable. As of March 31, 2010 and September 30, 2009, we had outstanding notes payable of $11.2 million and $12.5 million, respectively, primarily related to land acquisitions. These notes payable expire at various times through 2011 and had fixed rates ranging from 8.0% to 9.0% at March 31, 2010. These notes are secured by the real estate to which they relate.

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

Model Home Financing Obligations — Due to a continuing interest in certain model home sale-leaseback transactions, we have recorded $6.3 million and $30.4 million of debt as of March 31, 2010 and September 30, 2009, respectively, related to these "financing" transactions. These model home transactions incur interest at a variable rate of one-month LIBOR plus 450 basis points, 4.7% as of March 31, 2010, and expire at various times through 2015. The model homes financed in these transactions are recorded as inventory until such homes are sold to the ultimate homebuyer and the related financing obligation is repaid. At such time, we recognize revenue and related costs, and the inventory associated with the model homes and the model home financing obligations are reduced. The sale transaction above is reflected as cash provided by operating activities and the reduction in the model home financing obligation is presented as cash used in financing activities in the accompanying unaudited condensed consolidated statements of cash flows.

(8) Income Taxes

Due to *The Worker, Homeownership and Business Assistance Act of 2009* which allowed us to carry back a portion of our fiscal 2009 federal tax losses, on December 17, 2009, the Company filed an application for a federal income tax refund of approximately $101 million. This carryback allowed us to claim a refund of taxes paid in prior years and to monetize a deferred tax asset that had previously had a valuation allowance recorded against it. During the period ending March 31, 2010, the Company received the $101 million proceeds from the carryback claim.

During fiscal 2008, the Company established a valuation allowance for substantially all of our deferred tax assets. We have not changed our assessment regarding the recoverability of the remaining deferred tax assets and we still believe that a valuation allowance is needed for substantially all of our deferred tax assets. As of March 31, 2010, our deferred tax valuation allowance was $373.4 million. In future periods, the allowance could be reduced based on sufficient evidence indicating that more likely than not a portion or all of the Company's deferred tax assets will be realized.

The Company has conducted an analysis of whether an 'ownership change' occurred under Internal Revenue Code Section 382 (Section 382). The Company has determined that an 'ownership change' under Section 382 did occur as of January 12, 2010. The Company continues to analyze the impact to the Company's deferred tax assets; however, the Company does not anticipate this ownership change will result in a material change to its carrying value of its deferred tax assets.

Our tax benefit from continuing operations of $1.7 million and $95.7 million for the three and six months ended March 31, 2010, primarily resulted from the enacted tax legislation that allowed us to carry back a portion of our fiscal 2009 federal tax losses and claim a refund on prior year taxes paid. The principal difference between our effective rate and the U.S. federal statutory rate for the three and six months ended March 31, 2010 relates to the carryback of federal tax losses and valuation allowance.

During the second quarter of fiscal 2010, there have been no material changes to the components of the Company's total unrecognized tax benefits, including any amount which, if recognized, would affect the Company's effective tax rate.

(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 Chinese drywall. The Company is subject to the possibility of loss contingencies arising in its business and such contingencies are accounted for in accordance with SFAS 5, *Accounting for Contingencies* (ASC 7). In determining loss contingencies, we consider the likelihood of loss as well as the ability to reasonably estimate the amount of such loss or liability. An estimated loss is recorded when it is considered probable that a liability has been incurred and when the amount of loss can be reasonably estimated.

Warranty Reserves. We currently provide a limited warranty (ranging from one to two years) covering workmanship and materials per our defined performance quality standards. In addition, we provide a limited warranty (generally ranging from 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.

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 of March 31, 2010, our warranty reserves includes an estimate for the repair of less than 50 homes in southwest Florida where certain of our subcontractors installed defective Chinese drywall in homes that were delivered during our 2006 and 2007 fiscal years. We have begun repairs of a number of these homes and are inspecting additional homes in order to determine whether they also contain the defective Chinese drywall. The outcome of these inspections may require us to increase our warranty reserve in the future. However, the amount of additional liability, if any, is not reasonably estimable. In addition, the Company has been named as defendants in a number of legal actions related to Chinese drywall (see Other Matters below).

As a result of our analyses, we adjust our estimated warranty liabilities. While we believe that our warranty reserves are adequate as of March 31, 2010, 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 are as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Balance at beginning of period	**$ 28,360**	$ 36,888	**$ 30,100**	$ 40,822
Accruals for warranties issued	**1,457**	1,523	**2,763**	2,880
Changes in liabilty related to warranties existing in prior periods	**161**	(1,818)	**(48)**	(2,414)
Payments made	**(3,312)**	(4,214)	**(6,149)**	(8,909)
Balance at end of period	**$ 26,666**	$ 32,379	**$ 26,666**	$ 32,379

Litigation

Derivative Shareholder Actions. Certain of Beazer Homes' current and former officers and directors were named as defendants in two derivative shareholder suits filed on April 16, 2007 and August 29, 2007 in the United States District Court for the Northern District of Georgia, which were subsequently consolidated. Beazer Homes is named as a nominal defendant. The amended consolidated 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, and seeks an unspecified amount of compensatory damages against the individual defendants and in favor of Beazer Homes. The parties have settled the lawsuit and the settlement has been approved by the court. Under the terms of the settlement, the action was dismissed with prejudice, and the Company and all other defendants do not

admit any liability. Pursuant to the terms of the settlement, the Company acknowledged that the pendency of the derivative action was a factor in the Company's adoption of various corporate governance reforms and remedial measures, all of which have previously been disclosed, and agreed that plaintiffs' counsel would receive attorney's fees not to exceed $950,000, which was funded by insurance proceeds. Based on the terms of the settlement, as of March 31, 2010, no accrual was recorded related to this action.

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 making similar allegations and the court consolidated these five lawsuits. 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. On October 10, 2008, the Company and the other defendants filed a motion to dismiss the consolidated amended complaint. The court granted the defendants' motion to dismiss on two of the plaintiffs' five claims but allowed the plaintiffs to proceed with the three other claims. The Company intends to vigorously defend against these actions. Given the inherent uncertainties in this litigation, as of March 31, 2010, no accrual has been recorded, as losses, if any, related to this matter are not both probable and reasonably estimable.

Homeowners Class Action Lawsuits and Multi-Plaintiff Lawsuit. A 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 which the Company moved to dismiss. The magistrate judge recommended that the district court grant the defendants' motion to dismiss the RESPA claim but deny the motion to dismiss the § 75-1.1 claim and on March 8, 2010, the court adopted the magistrate judge's report and recommendation in full. The parties have reached a tentative agreement to settle the lawsuit, which will be partially funded by insurance proceeds and is subject to court approval. Under the terms of the settlement, the action will be dismissed with prejudice, and the Company and all other defendants will not admit any liability. However, the Company has determined that it is probable that a liability exists related to this matter and has accordingly recorded an accrual consistent with our accrual policy for such matters. The amount of such accrual is not material to the Company's financial position or results of operations and is included in the total litigation accrual discussed below.

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 complaint was filed on behalf of individual homeowners who purchased homes from Beazer in Mecklenburg County and alleges certain deceptive conduct by the defendants and brings various claims under North Carolina statutory and common law, including a claim for punitive damages. The case was assigned to the docket of the North Carolina Business Court. The plaintiffs filed four amended complaints, and the Company filed a motion to dismiss each of the complaints filed by the plaintiffs. With the exception of all claims of one plaintiff and one claim as to all plaintiffs, which claims have now been dismissed, the court denied the defendants' motion to dismiss. The parties have settled the lawsuit and a portion of the settlement amount will be funded through insurance proceeds. The amount of the settlement payment is not material to the Company's financial position or results of operations. Under the terms of the settlement, the action will be dismissed with prejudice, and the Company and all other defendants do not admit any liability.

Beazer Homes and several subsidiaries 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 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 and plaintiffs filed a Second Amended Complaint which substituted new named-plaintiffs. The Company filed a motion to dismiss the Second Amended Complaint, which the federal court granted in part. The federal court dismissed the sole federal claim, declined to rule on the state law claims, and remanded the case to the Superior Court of Placer County. The Company filed a supplemental motion to dismiss/demurrer regarding the remaining state law claims in the Second Amended Complaint and the state court sustained defendants' demurrer but granted the plaintiffs leave to amend their claims. Plaintiffs thereafter filed a Third Amended Complaint which defendants removed to federal court based on the presence of a federal question and pursuant to the Class Action Fairness Act and thereafter moved to dismiss. Plaintiffs filed a motion to remand the case. The federal court granted the plaintiffs' motion and remanded the case to the Superior Court of Placer County. The defendants filed a petition with the U.S. Court of Appeals for the Ninth Circuit for permission to appeal the remand order and a demurrer in state court as to all counts of the Third Amended Complaint. The Company intends to continue to vigorously defend against the action. Given the inherent uncertainties in this litigation, as of March 31, 2010, no accrual has been recorded, as losses, if any, related to this matter are not both probable and reasonably estimable.

We cannot predict or determine the timing or final outcome of the lawsuits or the effect that any adverse findings or adverse determinations in the pending lawsuits may have on us. In addition, an estimate of possible loss or range of loss, if any, cannot presently be made with respect to the above pending matters. An unfavorable determination resulting from any governmental investigation could result in the filing of criminal charges, payment of substantial criminal or civil restitution, the imposition of injunctions on our conduct or the imposition of other penalties or consequences, including but not limited to the Company having to adjust, curtail or terminate 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 pending lawsuits could result in the payment by us of substantial monetary damages which may not be fully covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and the Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our business, financial condition and results of operations.

Other Matters

As disclosed in our 2009 Form 10-K, on July 1, 2009, the Company announced that it has resolved the criminal and civil investigations by the United States Attorney's Office in the Western District of North Carolina (the U.S. Attorney) and other state and federal agencies concerning matters that were the subject of the independent investigation, initiated in April 2007 by the Audit Committee of the Board of Directors (the Investigation) and concluded in May 2008. Under the terms of the deferred prosecution agreement (DPA), the Company's liability for fiscal 2010 will be equal to the greater of $1 million or 4% of the Company's adjusted EBITDA (as defined in the DPA) and in each of the fiscal years after 2010 through a portion of fiscal 2014 (unless extended as described in Note 9) will also be equal to 4% of the Company's adjusted EBITDA (as defined in the DPA). The total amount of such obligations will be dependent on several factors; however, the maximum liability under the DPA and other settlement agreements discussed above will not exceed $55.0 million of which $14 million was paid during fiscal 2009. As of March 31, 2010, we have accrued $2.0 million for fiscal 2010 obligations under the DPA and HUD agreements. While we believe that our accrual for this liability is adequate as of March 31, 2010, positive adjusted EBITDA results in future years will require us to increase our accrual and incur additional expense in the future.

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 communities completed or under construction. The EPA has since requested information on additional communities 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 March 31, 2010, no monetary penalties had been imposed in connection with such Administrative Orders. Consistent with its approach with other homebuilders, the EPA has contacted the Company about a possible resolution of these issues. Settlement negotiations are proceeding. 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 communities 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.

On June 3, 2009, a purported class action complaint was filed by the owners of one of our homes in our Magnolia Lakes' community in Ft. Myers, Florida. The complaint names the Company and certain distributors and suppliers of drywall and was filed in the Circuit Court for Lee County, Florida on behalf of the named plaintiffs and other similarly situated owners of homes in Magnolia Lakes or alternatively in the State of Florida. The plaintiffs allege that the Company built their homes with defective drywall, manufactured in China, that contains sulfur compounds that allegedly corrode certain metals and that are allegedly capable of harming the health of individuals. Plaintiffs allege physical and economic damages and seek legal and equitable relief, medical monitoring and attorney's fees. This case has been transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation. The Company believes that the claims asserted in this complaint are governed by its home warranty or are without merit. Accordingly, the Company intends to vigorously defend against this litigation. Given the inherent uncertainties in this litigation, as of March 31, 2010, no accrual has been recorded, as losses, if any, related to this matter are not both probable and reasonably estimable.

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

We have accrued $17.3 million and $19.7 million in other liabilities related to these matters as of March 31, 2010 and September 30, 2009, respectively.

The lender of one of our unconsolidated joint ventures has filed individual lawsuits against some of the joint venture partners and certain of those partners' parent companies (including the Company), seeking to recover damages under completion guarantees, among other claims. We intend to vigorously defend against this legal action. We are a 2.58% partner in this joint venture (see Note 3 for additional information). In addition, one member of the joint venture has filed an arbitration proceeding against the remaining members related to the plaintiff-member's allegations that the other members have failed to perform under the applicable membership agreements. The arbitration proceeding in this matter was held in February 2010. In both matters, an estimate of possible loss or range of loss if any, cannot presently be made. Given the inherent uncertainties and complexities in the litigation and the arbitration, as of March 31, 2010, no accrual has been recorded, as losses, if any, related to these matters are not both probable and reasonably estimable.

We had outstanding letters of credit and performance bonds of approximately $41.0 million and $201.2 million, respectively, at March 31, 2010 related principally to our obligations to local governments to construct roads and other improvements in various developments. Our outstanding letters of credit include $3.8 million relating to our land option contracts discussed in Note 4.

(10) Fair Value Measurements

ASC 820 *Fair Value Measurement and Disclosures* provides guidance for using fair value to measure assets and liabilities and 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. ASC 820 includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data.

Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recovered. ASC 820 establishes a fair value hierarchy as follows: Level 1 — Quoted prices in active markets for identical assets or liabilities; Level 2 — Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly through corroboration with market data; Level 3 — Unobservable inputs that reflect our own estimates about the assumptions market participants would use in pricing the asset or liability. The following table presents our assets measured at fair value on a non-recurring basis for each hierarchy level and represents only those assets whose carrying values were adjusted to fair value during fiscal year 2010 (in thousands):

	Level 1	Level 2	Level 3	Total
Development projects in progress	$ —	$ —	$ 43,315	$ 43,315
Land held for sale	—	—	2,039	2,039
Investments in unconsolidated joint ventures	—	—	4,060	4,060

As previously disclosed, we review our long-lived assets, including inventory for recoverability when factors that indicate an impairment may exist, but no less than quarterly. Fair value is based on estimated cash flows discounted for market risks associated

with the long-lived assets. During the three and six months ended March 31, 2010, we recorded total inventory impairments of $10.2 million and $17.9 million for development projects in progress and total inventory impairments for land held for sale of $0.1 million and $1.2 million, respectively. See Notes 1, 3 and 4 for additional information related to the fair value accounting for the assets listed above.

The fair values of our investments in unconsolidated joint ventures are determined primarily using a discounted cash flow model to value the underlying net assets of the respective entities. During the three and six months ended March 31, 2010, we recorded the writedown of our investment in certain of our unconsolidated joint ventures of $8.8 million and $11.5 million, respectively, $2.7 million of which is included in loss from discontinued operations, net of tax in the accompanying unaudited condensed consolidated statement of operations.

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

The fair value of our cash and cash equivalents, restricted cash, accounts receivable, trade accounts payable, other liabilities and other secured notes payable approximate their carrying amounts due to the short maturity of these assets and liabilities. Obligations related to consolidated inventory not owned are recorded at estimated fair value. The fair value of our model home financing obligations approximate their carrying amounts due to the variable interest rates associated with those obligations. The carrying values and estimated fair values of other financial assets and liabilities were as follows:

	As of March 31, 2010		As of September 30, 2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Senior Notes	**$1,237,552**	**$1,246,703**	$1,362,902	$1,200,612
Mandatory Convertible Subordinated Notes	**57,500**	**61,525**	—	—
Junior Subordinated Notes	**46,436**	**46,436**	103,093	52,377
	$1,341,488	**$1,354,664**	$1,465,995	$1,252,989

The estimated fair values shown above for our publicly held Senior Notes have and Mandatory Convertible Subordinated Notes been determined using quoted market rates. The fair value of our publicly held junior subordinated notes is estimated by discounting scheduled cash flows through maturity. The discount rate is estimated using market rates currently being offered on loans with similar terms and credit quality. Judgment is required in interpreting market data to develop these estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange.

(11) Segment Information

As defined in SFAS 131, *Disclosures About Segments of an Enterprise and Related Information* (ASC 280), we have three homebuilding segments operating in 17 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 title services provided predominantly to customers of our homebuilding operations. Our reportable segments, described below, have been determined on a basis that is used internally by management for evaluating segment performance and resource allocations. The reportable homebuilding segments include operations conducting business in the following states:

West: Arizona, California, Nevada, New Mexico and Texas

East: Delaware, Indiana, Maryland, New Jersey, New York, North Carolina (Raleigh), Pennsylvania, Tennessee (Nashville) and Virginia

Southeast: Florida, Georgia and South Carolina

We have ceased all of our homebuilding operating activities in the markets previously included in our Other Homebuilding segment. As a result, the financial information related to these markets are reported as discontinued operations in the accompanying unaudited condensed consolidated financial statements and are further discussed in Note 13.

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 home construction, land development and land sales expense, 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 title 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. The following information is in thousands:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Revenue				
West	**$ 82,246**	$ 73,683	**$ 170,126**	$ 177,100
East	**87,482**	71,795	**185,214**	144,986
Southeast	**28,089**	40,834	**60,881**	81,907
Financial Services	**368**	312	**748**	800
Total	**$ 198,185**	$ 186,624	**$ 416,969**	$ 404,793

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Operating income (loss)				
West	**$ 769**	$ (20,434)	**$ 3,720**	$ (26,680)
East	**5,959**	(10,413)	**11,250**	(13,837)
Southeast	**(6,917)**	(14,724)	**(7,368)**	(16,669)
Financial Services	**190**	68	**380**	56
Segment total	**1**	(45,503)	**7,982**	(57,130)
Corporate and unallocated (a)	**(21,575)**	(47,263)	**(59,468)**	(97,096)
Total operating loss	**(21,574)**	(92,766)	**(51,486)**	(154,226)
Equity in loss of unconsolidated joint ventures	**(8,779)**	(8,356)	**(8,822)**	(9,763)
Gain on extinguishment of debt	**52,946**	—	**52,946**	—
Other expense, net	**(18,037)**	(19,238)	**(37,568)**	(37,423)
Loss from continuing operations before income taxes	**$ 4,556**	$ (120,360)	**$ (44,930)**	$ (201,412)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Depreciation and amortization				
West	**$ 1,245**	$ 1,256	**$ 2,507**	$ 2,771
East	**594**	1,772	**1,659**	2,535
Southeast	**352**	325	**842**	641
Financial Services	**—**	1	**1**	9
Segment total	**2,191**	3,354	**5,009**	5,956
Corporate and unallocated (a)	**556**	982	**1,162**	2,018
Consolidated total	**$ 2,747**	$ 4,336	**$ 6,171**	$ 7,974

	March 31, 2010	September 30, 2009
Assets		
West	**$ 650,138**	$ 664,857
East	**414,878**	428,673
Southeast	**184,771**	182,155
Financial Services	**36,142**	35,720
Corporate and unallocated (b)	**703,904**	680,047
Discontinued operations	**35,137**	37,958
Consolidated total	**$ 2,024,970**	$ 2,029,410

	Six Months Ended March 31,	
	2010	2009
Capital Expenditures		
West	**$ 1,626**	$ 974
East	**788**	925
Southeast	**272**	657
Corporate and unallocated	**693**	885
Consolidated total	**$ 3,379**	$ 3,441

(a) 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. For the six months ended March 31, 2009, corporate and unallocated includes $16.1 million of goodwill impairments.

(b) 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 obligations to pay principal, premium, if any, and interest under certain debt are guaranteed on a joint and several basis by substantially all of our subsidiaries. Certain of our title, warranty and immaterial subsidiaries do not guarantee our Senior Notes or our Secured Revolving Credit Facility. The guarantees are full and unconditional and the guarantor subsidiaries are 100% owned by Beazer Homes USA, Inc. 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.

Beazer Homes USA, Inc.
Unaudited Consolidating Balance Sheet Information
March 31, 2010
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	$ 523,810	$ 3,782	$ 359	$ (3,483)	$ 524,468
Restricted cash	42,446	808	—	—	43,254
Accounts receivable (net of allowance of $3,777)	—	33,621	23	—	33,644
Income tax receivable	8,763	—	—	—	8,763
Owned inventory	—	1,269,265	—	—	1,269,265
Consolidated inventory not owned	—	49,025	—	—	49,025
Investments in unconsolidated joint ventures	773	20,655	—	—	21,428
Deferred tax assets, net	7,770	—	—	—	7,770
Property, plant and equipment, net	—	23,450	—	—	23,450
Investments in subsidiaries	270,238	—	—	(270,238)	—
Intercompany	915,289	(922,578)	3,806	3,483	—
Other assets	25,502	13,313	5,088	—	43,903
Total assets	$ 1,794,591	$ 491,341	$ 9,276	$ (270,238)	$ 2,024,970
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	$ —	$ 71,499	$ —	$ —	$ 71,499
Other liabilities	93,204	113,238	4,697	—	211,139
Intercompany	449	—	(449)	—	—
Obligations related to consolidated inventory not owned	—	30,226	—	—	30,226
Senior Notes (net of discounts of $25,353)	1,237,552	—	—	—	1,237,552
Mandatory Convertible Subordinated Notes	57,500	—	—	—	57,500
Junior Subordinated Notes	46,436	—	—	—	46,436
Other secured notes payable	—	11,168	—	—	11,168
Model home financing obligations	6,297	—	—	—	6,297
Total liabilities	1,441,438	226,131	4,248	—	1,671,817
Stockholders' equity	353,153	265,210	5,028	(270,238)	353,153
Total liabilities and stockholders' equity	$ 1,794,591	$ 491,341	$ 9,276	$ (270,238)	$ 2,024,970

Beazer Homes USA, Inc.
Consolidating Balance Sheet Information
September 30, 2009
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	$ 495,692	$ 11,482	$ 2,915	$ (2,750)	$ 507,339
Restricted cash	48,326	1,135	—	—	49,461
Accounts receivable (net of allowance of $7,545)	—	28,377	28	—	28,405
Income tax receivable	9,922	—	—	—	9,922
Owned inventory	—	1,265,441	—	—	1,265,441
Consolidated inventory not owned	—	53,015	—	—	53,015
Investments in unconsolidated joint ventures	3,093	27,031	—	—	30,124
Deferred tax assets	7,520	—	—	—	7,520
Property, plant and equipment, net	—	25,939	—	—	25,939
Investments in subsidiaries	210,730	—	—	(210,730)	—
Intercompany	977,956	(984,511)	3,805	2,750	—
Other assets	26,750	22,419	3,075	—	52,244
Total assets	$ 1,779,989	$ 450,328	$ 9,823	$ (210,730)	$ 2,029,410
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	$ —	$ 70,285	$ —	$ —	$ 70,285
Other liabilities	86,717	134,655	5,943	—	227,315
Intercompany	361	—	(361)	—	—
Obligations related to consolidated inventory not owned	—	26,356	—	—	26,356
Senior Notes (net of discounts of $27,257)	1,362,902	—	—	—	1,362,902
Junior Subordinated Notes	103,093	—	—	—	103,093
Other secured notes payable	—	12,543	—	—	12,543
Model home financing obligations	30,361	—	—	—	30,361
Total liabilities	1,583,434	243,839	5,582	—	1,832,855
Stockholders' equity	196,555	206,489	4,241	(210,730)	196,555
Total liabilities and stockholders' equity	$ 1,779,989	$ 450,328	$ 9,823	$ (210,730)	$ 2,029,410

Beazer Homes USA, Inc.
Unaudited Consolidating Statement of Operations Information
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Three Months Ended March 31, 2010					
Total revenue	$ —	$ 197,904	$ 281	$ —	$ 198,185
Home construction and land sales expenses	10,070	151,903	—	—	161,973
Inventory impairments and option contract abandonments	464	9,706	—	—	10,170
Gross (loss) profit	(10,534)	36,295	281	—	26,042
Selling, general and administrative expenses	—	44,831	38	—	44,869
Depreciation and amortization	—	2,747	—	—	2,747
Operating (loss) income	(10,534)	(11,283)	243	—	(21,574)
Equity in loss of unconsolidated joint ventures	—	(8,779)	—	—	(8,779)
Gain on extinguishment of debt	52,670	276	—	—	52,946
Other (expense) income, net	(19,565)	1,506	22	—	(18,037)
Income (loss) before income taxes	22,571	(18,280)	265	—	4,556
Provision for (benefit from) income taxes	8,521	(10,303)	94	—	(1,688)
Equity in loss of subsidiaries	(7,806)	—	—	7,806	—
Income (loss) from continuing operations	6,244	(7,977)	171	7,806	6,244
Loss from discontinued operations	—	(946)	—	—	(946)
Equity in loss of subsidiaries	(946)	—	—	946	—
Net income (loss)	$ 5,298	$ (8,923)	$ 171	$ 8,752	$ 5,298

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Six Months Ended March 31, 2010					
Total revenue	$ —	$ 415,732	$ 1,237	$ —	$ 416,969
Home construction and land sales expenses	21,454	331,155	—	—	352,609
Inventory impairments and option contract abandonments	1,096	17,901	—	—	18,997
Gross (loss) profit	(22,550)	66,676	1,237	—	45,363
Selling, general and administrative expenses	—	90,609	69	—	90,678
Depreciation and amortization	—	6,171	—	—	6,171
Goodwill impairment	—	—	—	—	—
Operating (loss) income	(22,550)	(30,104)	1,168	—	(51,486)
Equity in loss of unconsolidated joint ventures	—	(8,822)	—	—	(8,822)
Gain on extinguishment of debt	52,670	276	—	—	52,946
Other (expense) income, net	(40,097)	2,485	44	—	(37,568)
(Loss) income before income taxes	(9,977)	(36,165)	1,212	—	(44,930)
(Benefit from) provision for income taxes	(3,766)	(92,368)	425	—	(95,709)
Equity in (loss) income of subsidiaries	56,990	—	—	(56,990)	—
Income (loss) from continuing operations	50,779	56,203	787	(56,990)	50,779
Income from discontinued operations	—	2,518	—	—	2,518
Equity in income of subsidiaries	2,518	—	—	(2,518)	—
Net income (loss)	$ 53,297	$ 58,721	$ 787	$ (59,508)	$ 53,297

Beazer Homes USA, Inc.
Unaudited Consolidating Statement of Operations Information
(in thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Three Months Ended March 31, 2009					
Total revenue	$ —	$186,518	$106	$ —	$ 186,624
Home construction and land sales expenses	10,859	155,022	—	—	165,881
Inventory impairments and option contract abandonments	1,416	41,513	—	—	42,929
Gross (loss) profit	(12,275)	(10,017)	106	—	(22,186)
Selling, general and administrative expenses	—	66,211	33	—	66,244
Depreciation and amortization	—	4,336	—	—	4,336
Operating (loss) income	(12,275)	(80,564)	73	—	(92,766)
Equity in loss of unconsolidated joint ventures	—	(8,356)	—	—	(8,356)
Other (expense) income, net	(21,022)	1,794	(10)	—	(19,238)
(Loss) income before income taxes	(33,297)	(87,126)	63	—	(120,360)
(Benefit from) provision for income taxes	(12,130)	480	29	—	(11,621)
Equity in (loss) income of subsidiaries	(87,572)	—	—	87,572	—
(Loss) income from continuing operations	(108,739)	(87,606)	34	87,572	(108,739)
Loss from discontinued operations	—	(6,184)	—	—	(6,184)
Equity in loss of subsidiaries	(6,184)	—	—	6,184	—
Net (loss) income	$(114,923)	$ (93,790)	$ 34	$93,756	$(114,923)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Six Months Ended March 31, 2009					
Total revenue	$ —	$ 404,457	$336	$ —	$ 404,793
Home construction and land sales expenses	23,552	335,847	—	—	359,399
Inventory impairments and option contract abandonments	1,953	53,366	—	—	55,319
Gross (loss) profit	(25,505)	15,244	336	—	(9,925)
Selling, general and administrative expenses	—	120,091	93	—	120,184
Depreciation and amortization	—	7,974	—	—	7,974
Goodwill impairment	—	16,143	—	—	16,143
Operating (loss) income	(25,505)	(128,964)	243	—	(154,226)
Equity in loss of unconsolidated joint ventures	—	(9,763)	—	—	(9,763)
Other (expense) income, net	(42,259)	4,840	(4)	—	(37,423)
(Loss) income before income taxes	(67,764)	(133,887)	239	—	(201,412)
(Benefit from) provision for income taxes	(24,686)	11,071	101	—	(13,514)
Equity in (loss) income of subsidiaries	(144,820)	—	—	144,820	—
(Loss) income from continuing operations	(187,898)	(144,958)	138	144,820	(187,898)
Loss from discontinued operations	—	(7,300)	—	—	(7,300)
Equity in loss of subsidiaries	(7,300)	—	—	7,300	—
Net (loss) income	$(195,198)	$(152,258)	$138	$152,120	$(195,198)

Beazer Homes USA, Inc.
Unaudited Consolidating Statements of Cash Flow Information
(in thousands)

For the six months ended March 31, 2010	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash (used in) provided by operating activities	$ (42,936)	$ 67,685	$(2,467)	$ —	$ 22,282
Cash flows from investing activities:					
Capital expenditures	—	(3,379)	—	—	(3,379)
Investments in unconsolidated joint ventures	—	(4,862)	—	—	(4,862)
Increase in restricted cash	(22,156)	(807)	—	—	(22,963)
Decrease in restricted cash	28,036	1,134	—	—	29,170
Distributions from unconsolidated joint ventures	—	—	—	—	—
Net cash provided by (used in) investing activities	5,880	(7,914)	—	—	(2,034)
Cash flows from financing activities:					
Repayment of other secured notes payable	—	(1,375)	—	—	(1,375)
Repurchase of Senior Notes	(127,254)	—	—	—	(127,254)
Repayment of model home financing obligations	(23,788)	—	—	—	(23,788)
Mandatory Convertible Issued	57,500	—	—	—	57,500
Debt issuance costs	(3,912)	—	—	—	(3,912)
Common stock redeemed	(134)	—	—	—	(134)
Common stock issued	97,901	—	—	—	97,901
Tax benefit from stock transactions	(2,057)	—	—	—	(2,057)
Advances to/from subsidiaries	66,918	(66,096)	(89)	(733)	—
Net cash (used in) provided by financing activities	65,174	(67,471)	(89)	(733)	(3,119)
Increase (decrease) in cash and cash equivalents	28,118	(7,700)	(2,556)	(733)	17,129
Cash and cash equivalents at beginning of period	495,692	11,482	2,915	(2,750)	507,339
Cash and cash equivalents at end of period	$ 523,810	$ 3,782	$ 359	$(3,483)	$ 524,468

For the six months ended March 31, 2009	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Net cash provided by (used in) operating activities	$ 112,727	$(98,039)	$1,893	$ —	$ 16,581
Cash flows from investing activities:					
Capital expenditures	—	(3,441)	—	—	(3,441)
Investments in unconsolidated joint ventures	—	(4,189)	—	—	(4,189)
Increase in restricted cash	(21,283)	(166)	(2)	—	(21,451)
Decrease in restricted cash	9,962	256	—	—	10,218
Net cash used in investing activities	(11,321)	(7,540)	(2)	—	(18,863)
Cash flows from financing activities:					
Repayment of other secured notes payable	—	(992)	—	—	(992)
Repayment of model home financing obligations	(18,699)	—	—	—	(18,699)
Debt issuance costs	(1,018)	—	—	—	(1,018)
Common stock redeemed	(19)	—	—	—	(19)
Tax benefit from stock transactions	(1,797)	—	—	—	(1,797)
Advances to/from subsidiaries	(95,325)	93,607	50	1,668	—
Net cash (used in) provided by financing activities	(116,858)	92,615	50	1,668	(22,525)
(Decrease) increase in cash and cash equivalents	(15,452)	(12,964)	1,941	1,668	(24,807)
Cash and cash equivalents at beginning of period	575,856	14,806	5	(6,333)	584,334
Cash and cash equivalents at end of period	$ 560,404	$ 1,842	$1,946	$(4,665)	$559,527

(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 a major financial institution, whereby the Company would market this institution as the preferred mortgage provider to its customers.

In fiscal 2008, we completed 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 resulted in the decision formalized and announced on February 1, 2008, to discontinue homebuilding operations in Charlotte, NC, Cincinnati/Dayton, OH, Columbia, SC, Columbus, OH and Lexington, KY. During the third quarter of fiscal 2008, we announced our decision to discontinue homebuilding operations in Colorado and Fresno, CA. During fiscal 2009, the homebuilding operating activities in the markets we exited and which were historically reported in our Other Homebuilding segment ceased.

We have classified the results of operations of BMC and our exit markets as discontinued operations in the accompanying unaudited condensed consolidated statements of operations for all periods presented. Discontinued operations were not segregated in the unaudited condensed consolidated balance sheets or 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 operations of the BMC and the exit markets classified as discontinued operations in the unaudited condensed consolidated statements of operations for the three and six months ended March 31, 2010 and 2009 were as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Total revenue	**$ 150**	$ 1,699	**$ 700**	$ 15,894
Home construction and land sales expenses	**456**	2,017	**1,154**	14,345
Inventory impairments and lot option abandonments	**109**	8,826	**159**	9,145
Gross loss	**(415)**	(9,144)	**(613)**	(7,596)
Selling, general and administrative expenses	**597**	956	**1,570**	3,457
Depreciation and amortization	**—**	3	**—**	148
Operating loss	**(1,012)**	(10,103)	**(2,183)**	(11,201)
Equity in income (loss) of unconsolidated joint ventures	**—**	15	**(2,731)**	9
Gain on extinguishment of debt	**—**	3,574	**—**	3,574
Other income (expense), net	**24**	(57)	**74**	(139)
Loss from discontinued operations before income taxes	**(988)**	(6,571)	**(4,840)**	(7,757)
Benefit from income taxes	**(42)**	(387)	**(7,358)**	(457)
Loss (income) from discontinued operations, net of tax	**$ (946)**	$ (6,184)	**$ 2,518**	$ (7,300)

Assets and liabilities from discontinued operations at March 31, 2010 and September 30, 2009, which relates to BMC and the exit markets, consist of the following (in thousands):

	March 31, 2010	September 30, 2009
ASSETS		
Accounts receivable	**$ 375**	$ 979
Inventory	**34,364**	33,861
Other	**398**	3,118
Assets of discontinued operations	**$ 35,137**	$ 37,958
LIABILITIES		
Trade accounts payable and other liabilities	**$ 4,413**	$ 5,719
Accrued warranty expenses	**5,508**	6,486
Liabilities of discontinued operations	**$ 9,921**	$ 12,205

(14) Subsequent Events

On April 13, 2010, at the Company's Annual Meeting of Stockholders, the Company's stockholders approved an increase in the number of authorized common shares from 80 million to 180 million shares. At the same meeting, our stockholders also approved the Beazer 2010 Equity Incentive Plan.

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

Executive Overview and Outlook

The homebuilding environment has suffered extensively during the recession of the past several years. Declining levels of employment and consumer confidence due to our slowing national economy led to increased home mortgage delinquencies, foreclosures and an excessive supply of new and existing homes for sale. While the homebuilding environment shows some signs of improving conditions, we see homebuyers caught between the factors that favor a resumption of growth in the new home market, namely attractive interest rates, historically high affordability and recent signs of home price stabilization, and factors that weigh against a meaningful recovery in the new home market the near-term, namely elevated unemployment, the high level of foreclosures in the marketplace and the threat of rising mortgage rates.

Our year-to-date fiscal 2010 financial results are better than the comparable periods in the prior year; yet they still reflect the extremely difficult economic and home building conditions that our industry has faced over the past few years. We experienced some moderation in the negative market trends that have plagued the industry as interest rates have remained attractive and housing affordability reached historically high levels. We have also benefitted from the impending expiration of the homebuyer tax credit in April 2010 which may have incentivized certain homebuyers to accelerate purchases into the first half of our fiscal 2010. We cannot fully anticipate the impact the expiration of the tax credit will have on future home sales, or to the extent that our year-to-date improvement in sales reflected a "pulling forward" of demand. As such, the seasonality of our new order pattern this year is likely to be somewhat different than what we have experienced in prior years. Although an improvement in employment conditions and further stability in home prices could improve buyer confidence and consequently sustain or generate higher new home orders compared to the prior year despite the tax credit expiration, we currently expect that the second half of fiscal 2010 will continue to pose challenges for us. We expect the level of land and land development expenditures during fiscal 2010 to be similar to those of the prior year, however, changes in market conditions could effect this expectation.

We have responded to this challenging environment with a disciplined approach to the business including significant reductions in direct construction costs, overhead expenses and land spending and limiting our supply of unsold homes under construction, significantly reduced our land acquisition and development investments and generated and preserved a significant cash balance. In January 2010, we further improved our capitalization with the issuance of $57.5 million of 7.5% Mandatory Convertible Subordinated Notes, an offering of 22,425,000 shares of common stock and a redemption in full of our outstanding 8 5/8% senior notes due 2011. We also completed a partial exchange of $75 million of our Junior Subordinated Notes due 2036 (see Notes 6 and 7 to the unaudited condensed consolidated financial statements), for which we recorded a gain of $53.6 million. As a result of these transactions and our fiscal year-to-date results from operations, our stockholders' equity increased from $196.6 million as of September 30, 2009 to $353.2 million as of March 31, 2010. Tangible Net Worth (stockholders' equity less certain intangible assets, as defined in our Senior Notes' indentures) also increased, by $161.3 million to $298.3 million at March 31, 2010.

In addition, we have recently purchased and will continue to purchase select land positions where it makes economic and strategic sense to do so. Given the ongoing financing challenges facing smaller and private homebuilders, we expect to be able to opportunistically pursue distressed assets. However, due to the financial strength of certain of our competitors we may face challenges in competing to purchase these distressed assets.

As of March 31, 2010, one of our joint ventures is in default under its debt agreements. Although neither the Company nor any of its subsidiaries is the borrower of the debt incurred by the respective joint ventures, we have issued guarantees of various types with respect to certain of these joint ventures. To the extent that we are unable to reach satisfactory resolutions, we may be called upon to perform under our applicable guarantees. The estimated maximum exposure related to our debt repayment guarantees was $15.8 million at March 31, 2010. See Note 3 to the unaudited condensed consolidated financial statements.

We will continue to focus on the generation and preservation of cash, increasing our stockholders' equity and reducing our leverage. We may also, from time to time, continue to seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or other debt securities, in open market purchases, privately negotiated transactions or otherwise. There can be no assurance that we will be able to complete any of these transactions in the future on favorable terms or at all.

Critical Accounting Policies: Some of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters. Although our accounting policies are in compliance with accounting principles generally accepted in the United States of America, a change in the facts and circumstances of the underlying transactions could significantly change the application of the accounting policies and the resulting financial statement impact. As disclosed in our annual report on Form 10-K for the fiscal year ended September 30, 2009, our most critical accounting policies relate to inventory valuation (inventory held for development and land held for sale), homebuilding revenues and costs, warranty reserves, investments in unconsolidated joint ventures and income tax valuation allowances. Since September 30, 2009, there have been no significant changes to those critical accounting policies.

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, beginning in the second half of fiscal 2006 and continuing through the third quarter of fiscal 2009, 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. In addition, the availability of the $8,000 First Time Homebuyer Tax Credit for homes sold, which continues through April 30, 2010, appears to have incentivized certain homebuyers to purchase homes during the second half of fiscal 2009 and the first half of fiscal 2010 and may continue to do so through the April 30, 2010, thereby further reducing typical seasonal variations.

RESULTS OF CONTINUING OPERATIONS:

($ in thousands)	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
Revenues:				
Homebuilding	**$ 197,428**	$ 186,312	**$ 411,352**	$ 403,443
Land sales and other	**389**	—	**4,869**	550
Financial Services	**368**	312	**748**	800
Total	**$ 198,185**	$ 186,624	**$ 416,969**	$ 404,793
Gross profit (loss):				
Homebuilding	**$ 24,208**	$ (22,493)	**$ 42,379**	$ (10,710)
Land sales and other	**1,466**	(5)	**2,236**	(15)
Financial Services	**368**	312	**748**	800
Total	**$ 26,042**	$ (22,186)	**$ 45,363**	$ (9,925)
Gross margin:				
Homebuilding	**12.3%**	-12.1%	**10.3%**	-2.7%
Land and other sales	**376.9%**	n/a	**45.9%**	-2.7%
Total	**13.1%**	-11.9%	**10.9%**	-2.5%
Selling, general and administrative (SG&A) expenses:				
Homebuilding	**$ 44,692**	$ 66,001	**$ 90,312**	$ 119,449
Financial Services	**177**	243	**366**	735
Total	**$ 44,869**	$ 66,244	**$ 90,678**	$ 120,184
SG&A as a percentage of total revenue	**22.6%**	35.5%	**21.7%**	29.7%
Depreciation and amortization	**$ 2,747**	$ 4,336	**$ 6,171**	$ 7,974
Goodwill impairment	**$ —**	$ —	**$ —**	$ 16,143
Equity in loss of unconsolidated joint ventures from:				
Joint venture activities	**$ (26)**	$ (23)	**$ (56)**	$ (137)
Impairments	**(8,753)**	(8,333)	**(8,766)**	(9,626)
Equity in loss of unconsolidated joint ventures	**$ (8,779)**	$ (8,356)	**$ (8,822)**	$ (9,763)
Gain on extinguishment of debt	**$ 52,946**	$ —	**$ 52,946**	$ —
Effective tax rate from continuing operations	**-37.1%**	9.7%	**n/m**	6.7%

Three and Six Month Periods Ended March 31, 2010 Compared to the Comparable Periods Ended March 31, 2009

Revenues. Historically low interest rates, increased affordability and federal and state housing tax credits appear to have recently incented more prospective buyers to purchase a new home and have contributed to a 5.6% increase in homes closed compared to the three-month period ended March 31, 2009. Homes closed increased to 852 from 807 for the quarters ended March 31, 2010 and 2009, respectively. For the six months ended March 31, 2010 compared to the same period of the prior year, homes closed increased by 6.8%. Foreclosures are still having the most damaging impact on the market. In every market, appraisals continue to be negatively impacted by foreclosure comparables which put further pricing pressure on all home sales and limit financing availability. This situation is even more pronounced in our Southeast segment markets which experienced a decline in revenues and closings of 31.2% and 29.9% from the quarter ended March 31, 2009. Overall, our average sales prices remained relatively flat as compared to the comparable quarter of the prior year.

Gross Profit (Loss). Our gross margin improved for three months ended March 31, 2010 to 13.1% (18.3% without impairments and abandonments) compared to gross margin of -11.9% (11.1% without impairments and abandonments) for the comparable period of the prior year. Gross margin for the three months ended March 31, 2010 benefited from $4.4 million of warranty-related subcontractor recoveries related to water intrusion issues in Indiana and a reduction in non-cash pre-tax inventory impairments and option contract abandonments from $42.9 million in the three months ended March 31, 2009 to $10.2 million for the three months ended March 31, 2010, as well as from cost reductions related to our cost control initiatives including renegotiated vendor pricing where possible. Gross margins for six months ended March 31, 2010 and 2009 were 10.9% and -2.5%, respectively. Excluding year-to-date non-cash, pre-tax inventory impairment and abandonment charges of $19.0 million in fiscal 2010 and $55.3 million in fiscal 2009, gross margins were 15.4% and 11.2% for the six months ended March 31, 2010 and 2009, respectively. Although we believe that we will continue to experience volatility in our gross margins quarterly for the remainder of fiscal 2010, we do expect that our gross margin for fiscal 2010 will be higher than the full year gross margin achieved in fiscal 2009 despite potential increases in commodity and other material prices.

In our continued efforts to redeploy assets to more profitable endeavors, we executed a few land sales in the current quarter. We also completed our development responsibilities and obtained a final release related to a project sold in fiscal 2008 and realized a profit related to this land sale of $1.4 million in the current quarter. Gross profit from land sales and other activities was $1.5 million and $2.2 million for the three and six months ended March 31, 2010 compared to losses on land sales of $5,000 and $15,000 for the three and six months ended March 31, 2009.

Selling, General and Administrative Expense. Selling, general and administrative expense (SG&A) totaled $44.9 million and $66.2 million in the quarters ended March 31, 2010 and 2009 and $90.7 million and $120.2 million for the six months ended March 31, 2010 and 2009, respectively. The 32.3% and 24.6% decreases in SG&A expense during the fiscal 2010 three and six month periods are primarily related to cost reductions realized as a result of our continued alignment of our overhead structure to our reduced volume expectations and to decreased severance costs. We believe that the fixed portion of our SG&A (exclusive of variable selling costs and other variable cash and non-cash based expenditures) are at sustainable levels pending material and sustained increases in new home orders and home closings.

Depreciation and Amortization. Depreciation and amortization (D&A) totaled $2.7 million and $6.2 million for the three and six months ended March 31, 2010. D&A totaled $4.3 million and $8.0 million for the three and six months ended March 31, 2009, respectively.

Goodwill Impairment Charges. The Company experienced a significant decline in its market capitalization during the three months ended December 31, 2008 (the first quarter of fiscal 2009). As of December 31, 2008, we considered these current and expected future market conditions and recorded a pretax, non-cash goodwill impairment charge of $16.1 million in the first quarter of fiscal 2009 related to our reporting units in Houston, Texas, Maryland and Nashville, Tennessee. These charges are reported in Corporate and Unallocated and are not allocated to our homebuilding segments. As a result of these goodwill impairments, as of March 31, 2010 and 2009, we had no goodwill remaining.

Joint Venture Impairment Charges. During the three months ended March 31, 2010, we determined that our investment in one of our joint ventures was impaired and recorded an $8.8 million impairment related to this joint venture. In connection with our decision and that of our joint venture partners to abandon one of our joint ventures, we recorded an impairment of $2.7 million during the three months ended December 31, 2009. This joint venture related to one of our exit markets and is reported in income from discontinued operations, net of tax (see Note 3 to the unaudited condensed consolidated financial statements where both impairments are further discussed). Impairments of investments in our unconsolidated joint ventures totaled $8.3 million and $9.6 million for the three and six months ended March 31, 2009. If market conditions worsen, we may have to take further impairments of our investments in these joint ventures that may have a material adverse effect on our financial position and results of operations.

Income Taxes. As we are in a cumulative loss position and based on the lack of sufficient objective evidence regarding the realization of our deferred tax assets in the foreseeable future, beginning with the fourth quarter of fiscal 2008, we recorded a valuation allowance for substantially all of our deferred tax assets (see Note 8 to the unaudited condensed consolidated financial statements for additional information). Our tax benefits from continuing operations of $95.7 million for the six months ended March 31, 2010, primarily resulted from the enacted tax legislation that allowed us to carry back a portion of our fiscal 2009 federal tax losses and claim a refund on prior year taxes paid. The principal difference between our effective rate and the U.S. federal statutory rate for the six months ended March 31, 2010 relates to the carryback of federal tax losses and our valuation allowance.

Discontinued Operations. During fiscal 2009, all of the homebuilding operating activities in the markets we have exited have ceased. On February 1, 2008, we determined that we would discontinue our mortgage origination services through Beazer Mortgage Corporation (BMC). As of September 30, 2008, all of BMC operating activities had ceased. We have classified the results of operations of BMC and our exit markets, as discontinued operations in the accompanying unaudited condensed consolidated statements of operations for all periods presented. All statement of operations information in the table above and the related

management discussion and analysis exclude the results of discontinued operations. Total revenue from discontinued operations was $0.2 million and $1.7 million for the three months ended March 31, 2010 and 2009, respectively and $0.7 million and $15.9 million for the six months ended March 31, 2010 and 2009, respectively. Additional operating data related to discontinued operations for the three and six months ended March 31, 2010 and 2009 is as follows ($ in thousands):

	Quarter Ended March 31,		Six Months Ended March 31,	
	2010	2009	**2010**	2009
Closings	**—**	7	**—**	55
New Orders	**—**	5	**—**	17
Homebuilding revenues	**$ —**	$ 1,145	**$ —**	$ 14,425
Land sale and other revenues	**$ 150**	$ 554	**$ 700**	$ 1,469
Joint venture impairments	**$ —**	$ —	**$ 2,731**	$ —

See Note 13 to the unaudited condensed consolidated financial statements for additional information related to our discontinued operations.

Segment Results for the Three Months Ended March 31, 2010 and 2009:

Unit Data by Segment

	Quarter Ended March 31,				
	New Orders, net			Cancellation Rates	
	2010	2009	Change	**2010**	2009
West	**659**	511	29.0%	**21.2%**	33.4%
East	**701**	438	60.0%	**17.2%**	26.4%
Southeast	**313**	175	78.9%	**9.8%**	26.8%
Total	**1,673**	1,124	48.8%	**17.6%**	29.8%

	Six Months Ended March 31,				
	New Orders, net			Cancellation Rates	
	2010	2009	Change	**2010**	2009
West	**1,016**	764	33.0%	**22.4%**	39.8%
East	**975**	639	52.6%	**20.2%**	31.7%
Southeast	**410**	254	61.4%	**17.0%**	34.0%
Total	**2,401**	1,657	44.9%	**20.7%**	36.0%

New Orders and Backlog: New orders, net of cancellations, increased 48.8% for the three months ended March 31, 2010 compared to the same period in the prior year, driven by a 26.8% increase in gross new orders and a reduction in the cancellation rate to 17.6%, compared to 29.8% a year ago. The increase in net new orders for the three and six months ended March 31, 2010 was driven by historically low interest rates, increased affordability and federal and state housing tax credits appear to have recently incented more prospective buyers to purchase a new home and have contributed to our increase in net new home orders. Despite the increase in net new orders, foreclosures are still having a damaging impact on the market. In most of our markets, appraisals continue to be negatively impacted by foreclosure comparables which put additional pricing pressure on all home sales and limit financing availability. As a result, we expect a continuation in quarter to quarter variability in our new home orders. However, overall we believe that new home orders for fiscal 2010 will exceed the levels achieved in fiscal 2009.

For the three and six months ended March 31, 2010, we experienced cancellation rates of 17.6% and 20.7% compared to 29.8% and 36.0% for the same periods of the prior year. The decrease in cancellation rates across all markets reflects the market improvement, relative price stabilization and increased stability in mortgage availability as compared to the periods ended March 31, 2009. It also reflects the impact of historically low interest rates and increased affordability and federal and state housing tax credits which appear to have enticed more prospective buyers to purchase a new home.

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 March 31, 2010 of $394.5 million increased 33.1% from $296.3 million at March 31, 2009, related primarily to a 39.4% increase in the number of homes in backlog.

	Backlog at March 31,		
	2010	2009	Change
West	**680**	513	32.6%
East	**827**	579	42.8%
Southeast	**274**	186	47.3%
Total	**1,781**	1,278	39.4%

Backlog has increased across all of our segments due primarily to historically low interest rates, increased affordability and federal and state housing tax credits which appear to have recently incented more prospective buyers to purchase a new home and have contributed to our increase in net new home orders. Foreclosures are still having by far the most damaging impact on the market. In most of our markets, appraisals continue to be negatively impacted by foreclosure comparables which put additional pricing pressure on all home sales and limit financing availability. As the availability of mortgage loans stabilizes and the inventory of new and used homes decreases, backlog should increase; however, 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. During the second quarter of fiscal 2010 we modestly increased housing starts in anticipation of the spring selling season and expiration of the home buyer tax credit. At March 31, 2010, we had 724 unsold homes under construction (a 90.0% increase from prior year levels) and 244 unsold finished homes (a 35.6% decline from a year ago). For the remainder of fiscal 2010, we do not contemplate further structural reductions in our unsold home inventory levels but rather the resumption of more seasonal patterns.

Homebuilding Revenues and Average Selling Price. The table below summarizes homebuilding revenues and the average selling prices of our homes by reportable segment ($ in thousands):

	Quarter Ended March 31,								
	Homebuilding Revenues			Average Selling Price			Closings		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
West	**$ 81,921**	$ 73,683	11.2%	**$ 218.5**	$ 217.4	0.5%	**375**	339	10.6%
East	**87,432**	71,795	21.8%	**256.4**	262.0	-2.1%	**341**	274	24.5%
Southeast	**28,075**	40,834	-31.2%	**206.4**	210.5	-1.9%	**136**	194	-29.9%
Total	**$ 197,428**	$ 186,312	6.0%	**$ 231.7**	$ 230.9	0.3%	**852**	807	5.6%

	Six Months Ended March 31,								
	Homebuilding Revenues			Average Selling Price			Closings		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
West	**$ 166,732**	$ 176,595	-5.6%	**$ 213.5**	$ 227.0	-5.9%	**781**	778	0.4%
East	**183,753**	144,986	26.7%	**252.1**	266.0	-5.2%	**729**	545	33.8%
Southeast	**60,867**	81,862	-25.6%	**200.9**	218.9	-8.2%	**303**	374	-19.0%
Total	**$ 411,352**	$ 403,443	2.0%	**$ 226.9**	$ 237.7	-4.5%	**1,813**	1,697	6.8%

Homebuilding revenues increased for the three and six months ended March 31, 2010 compared to comparable periods of the prior year due to a 5.6% and 6.8% increase in closings. Foreclosures are still having the most damaging impact on the market. In every market, appraisals continue to be negatively impacted by foreclosure comparables which put further pricing pressure on all home sales and limit financing availability. As a result, we reduced average sales prices in many of our markets during our first fiscal 2010 quarter in order to respond to these market conditions. Historically low interest rates, increased affordability and federal and state housing tax credits appear to have recently incented more prospective buyers to purchase a new home and have contributed to some price stabilization during the three months ended March 31, 2010.

Homebuilding revenues in our West segment increased 11.2% for the three months ended March 31, 2010 compared to the comparable period of fiscal 2009 driven by a 10.6% increase in homes closed. For the six months ended March 31, 2010, homebuilding revenues in our West segment decreased driven by decreased average sales prices of 5.9%. The decrease in revenues and average sales prices in the first quarter were particularly impacted by significant decreases in our Las Vegas and Sacramento markets which have been experiencing higher than average foreclosures and unemployment.

For the three and six months ended March 31, 2010, our East segment homebuilding revenues increased by 21.8% and 26.7% driven by increased closings across all of our markets in this segment offset slightly by slight decrease in average selling price across most of our markets. This increase in revenue reflects slightly improved market conditions and consumer response to changes in price, product enhancements and the federal housing tax credit.

Our Southeast segment continued to be challenged by significant declines in demand and excess capacity in both the new home and resale markets and the high number of foreclosures, driving decreases in homebuilding revenues of 31.2% and 25.6% for the three and six months ended March 31, 2010 as compared to the same period of the prior year. This decrease was driven by decreased closings of 29.9% and 19.0% and decreased average sales prices of 1.9% and 8.2%. The decrease in closings was driven by lower demand, a continued high level of available new and resale homes, increased competition and a high number of foreclosures which further depress prices and limit financing availability in these markets.

Land Sales and Other Revenues. The table below summarizes land and lot sales revenues by reportable segment ($ in thousands):

	Quarter Ended March 31,			Six Months Ended March 31,		
	2010	2009	Change	**2010**	2009	Change
West	**$ 325**	$ —	n/a	**$ 3,394**	$ 505	572.1%
East	**50**	—	n/a	**1,461**	—	n/a
Southeast	**14**	—	n/a	**14**	45	-68.9%
Total	**$ 389**	$ —	n/a	**$ 4,869**	$ 550	785.3%

Land sales and other revenues relate to land and lots sold that did not fit within our homebuilding programs and strategic plans in these markets and net fees we received for general contractor services we performed on behalf of a third party.

Gross Profit (Loss). Homebuilding gross profit is defined as homebuilding revenues less home cost of sales (which includes land and land development costs, home construction costs, capitalized interest, indirect costs of construction, estimated warranty costs, closing costs and inventory impairment and lot option abandonment charges). 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):

	Quarter Ended March 31,			
	2010		2009	
	Gross Profit (Loss)	**Gross Margin**	Gross Profit (Loss)	Gross Margin
West	**$ 12,577**	**15.4%**	$ (7,608)	-10.3%
East	**14,235**	**16.3%**	3,620	5.0%
Southeast	**(1,982)**	**-7.1%**	(6,545)	-16.0%
Corporate & unallocated	**(622)**		(11,960)	
Total homebuilding	**$ 24,208**	**12.3%**	$ (22,493)	-12.1%

	Six Months Ended March 31,			
	2010		2009	
	Gross Profit (Loss)	**Gross Margin**	Gross Profit (Loss)	Gross Margin
West	**$ 27,564**	**16.5%**	$ 4,110	2.3%
East	**29,512**	**16.1%**	11,580	8.0%
Southeast	**(675)**	**-1.1%**	(1,613)	-2.0%
Corporate & unallocated	**(14,022)**		(24,787)	
Total homebuilding	**$ 42,379**	**10.3%**	$ (10,710)	-2.7%

The increase in homebuilding gross margins across all segments is primarily due to lower inventory impairments and lot option abandonment charges, although our East and West segments did realize a nominal increase in gross margins excluding impairments as prices have begun to stabilize in certain of these markets and we benefitted from cost reductions. Our Southeast segment experienced a decrease in gross margins excluding inventory impairments for the quarter ended March 31, 2010 as compared to the comparable period of the prior year due to our decision to reduce prices in a majority of these markets in order to compete with similar product for sale in the locale and increase the frequency of new home orders. For the six months ended March 31, 2010, excluding inventory

impairments, the decrease in gross margins in the Southeast segment was mitigated partially by cost reductions related to our cost control initiatives including renegotiated vendor pricing where possible.

Corporate and unallocated. Corporate and unallocated costs include the amortization of capitalized interest and indirect construction costs.

Land Sales and Other Gross Profit (Loss). The table below summarizes land sales and other gross profit (loss) by reportable segment ($ in thousands):

	Quarter Ended March 31,			Six Months Ended March 31,		
	2010	2009	Change	**2010**	2009	Change
West	**$ 57**	$ (5)	n/m	**$ 369**	$ (54)	n/m
East	**1,395**	—	n/a	**1,852**	—	n/a
Southeast	**14**	—	n/a	**15**	39	-61.5%
Total	**$ 1,466**	$ (5)	n/m	**$ 2,236**	$ (15)	n/m

During the quarter ended March 31, 2010, we completed our development responsibilities and obtained a final release related to a project sold in fiscal 2008 and realized a profit related to this land sale of $1.4 million.

Inventory Impairments. The following tables set forth, by reportable segment, the inventory impairments and lot option abandonment charges recorded for the three and six months ended March 31, 2010 and 2009 (in thousands):

	Quarter Ended March 31,		**Six Months Ended March 31,**	
	2010	2009	**2010**	2009
Development projects and homes in process (Held for Development)				
West	**$ 4,402**	$ 19,654	**$ 6,949**	$ 27,487
East	**1,201**	3,721	**2,118**	6,624
Southeast	**3,962**	9,543	**7,381**	9,640
Unallocated	**592**	2,164	**1,472**	3,274
Subtotal	**$ 10,157**	$ 35,082	**$ 17,920**	$ 47,025
Land Held for Sale				
West	**$ —**	$ 2,796	**$ 1,061**	$ 2,957
East	**—**	307	**—**	307
Southeast	**—**	2,296	**—**	2,311
Subtotal	**$ —**	$ 5,399	**$ 1,061**	$ 5,575
Lot Option Abandonments				
West	**$ 7**	$ 64	**$ 7**	$ 76
East	**(2)**	1,506	**(1)**	1,716
Southeast	**8**	878	**10**	927
Subtotal	**$ 13**	$ 2,448	**$ 16**	$ 2,719
Continuing Operations	**$ 10,170**	$ 42,929	**$ 18,997**	$ 55,319

During the current period, for certain communities we determined that it was prudent to reduce sales prices or further increase sales incentives in response to factors including competitive market conditions. Because the projected cash flows used to evaluate the fair value of inventory are significantly impacted by changes in market conditions including decreased sales prices, the change in sales prices and changes in absorption estimates led to additional impairments in certain communities during the current quarter. In future periods, we may again determine that it is prudent to reduce sales prices, further increase sales incentives or reduce absorption rates which may lead to additional impairments, which could be material. The impairments recorded on our held for development inventory for the three and six months ended March 31, 2010 and 2009, primarily resulted from the competitive market conditions in those specific submarkets for the product and locations of these communities.

During the three and six months ended March 31, 2010, as a result of challenging market conditions and review of recent comparable transactions, certain of the Company's land held for sale was further written down to net realizable value, less estimated costs to sell.

We also have access to land inventory through lot option contracts, which generally enable us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we have determined whether to exercise our lot option. Under lot option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers and our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately $31.4 million at March 31, 2010.

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.

Derivative Instruments and Hedging Activities. We are exposed to fluctuations in interest rates. From time to time, we enter into derivative agreements to manage interest costs and hedge against risks associated with fluctuating interest rates. As of March 31, 2010, we were not a party to any such derivative agreements. We do not enter into or hold derivatives for trading or speculative purposes.

Liquidity and Capital Resources. Our sources of cash liquidity include, but are not limited to, cash from operations, 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 (cash, accounts receivable, accounts payable and other liabilities) and available credit facilities.

During the six months ended March 31, 2010, we generated $17.1 million in cash primarily due to our equity and mandatory convertible note offerings offset by our simultaneous 2011 Senior Note repayment in January 2010. Our liquidity position consisted of $524.5 million in cash and cash equivalents as of March 31, 2010. We expect to complete fiscal 2010 with a cash position similar to our cash position at the end of fiscal 2009, subject to changes in market conditions that would alter our expectations for land and land development expenditures or capital market transactions which could increase or decrease our cash balance.

Our net cash provided by operating activities for the six months ended March 31, 2010 was $22.3 million primarily due to significant reductions in trade accounts payable and other liabilities. For the six months ended March 31, 2009, net cash provided by operating activities was $16.6 million. Based on the applicable year's closings, as of March 31, 2010, our land bank includes a 6.5 year supply of owned and optioned land/lots for current and future development. Our ending land bank includes 29,764 owned and optioned lots and represents 2.9% and 13.5% decreases from the land bank as of September 30, 2009 and March 31, 2009, respectively. 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. The decrease in the number of owned lots in our land bank from March 31, 2009 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 $2.0 million for the six months ended March 31, 2010 compared to $18.9 million for the six months ended March 31, 2009. For the six months ended March 31, 2009 our use of cash was primarily to increase the amount of cash restricted under our revolving credit and letter of credit facilities.

Our Secured Revolving Credit Facility is $22 million, none of which is currently outstanding. We have entered into five stand-alone, cash-secured letter of credit agreements with banks. These facilities will continue to provide for future working capital and letter of credit needs collateralized by either cash or assets of the Company at our option, based on certain conditions and covenant compliance. As of March 31, 2010, we have secured our letters of credit under these facilities using cash collateral which is maintained in restricted accounts of $42.4 million. In addition, we have elected to pledge approximately $1.0 billion of inventory assets to our revolving credit facility.

Net cash used in financing activities was $3.1 million for six months ended March 31, 2010 as compared to a net use of cash of $22.5 million for the six months ended March 31, 2009. On January 12, 2010, we completed a $57.5 million Mandatory Convertible Subordinated Notes offering and common stock offering of 22,425,000 shares, a portion of the proceeds from which we used to repay

our outstanding 2011 Senior Notes. In both periods, we used cash in financing activities related to the repayment of certain secured notes payable and model home financing obligations and the payment of debt issuance costs.

To finance land purchases, we may also use seller, or third-party financed non-recourse secured notes payable, subject to certain limits as defined in our Senior Notes. As of March 31, 2010 and September 30, 2009, such secured notes payable outstanding totaled $11.2 million and $12.5 million, respectively.

As a result of our 2011 Senior Notes repayment in January 2010, our next scheduled debt payment is not until 2012; however, holders of our Convertible Senior Notes have the right to require us to purchase all or any portion on June 15, 2011. In addition, on January 15, 2010, we completed a partial exchange of $75 million of our outstanding Junior Subordinated Notes. We recorded a gain related to this transaction of $53.6 million during our second quarter of fiscal 2010 (see Note 7 to the unaudited condensed consolidated financial statements where further discussed).

During the first few months of fiscal 2010, S&P assigned a credit rating of CC to the Company's Mandatory Convertible Notes and also improved the rating on the Company's senior unsecured notes to CC from D. On April 1, 2010, S&P raised its corporate credit rating for the Company to CCC+ from CCC. These ratings and our current credit condition affect, among other things, our ability to access new capital, especially debt, and may result in more stringent covenants and higher interest rates under the terms of any new debt. Our credit ratings could be further lowered or rating agencies could issue adverse commentaries in the future, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. In particular, a further weakening of our financial condition, including any further increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, result in a credit rating downgrade or change in outlook, or otherwise increase our cost of borrowing.

As the homebuilding markets have contracted over the past few years, we continued to decrease the size of our business through a reduction in personnel and the closeout of additional communities. As the markets continue to recover, we will maintain our focus on cash generation and preservation to ensure we have the required liquidity to fund our operations and to take advantage of strategic opportunities as they are presented.

We fulfill our short-term cash requirements with cash generated from our operations. There were no amounts outstanding under the Secured Revolving Credit Facility at March 31, 2010 or September 30, 2009; however, we had $41.0 million and $45.6 million of letters of credit outstanding under the Secured Revolving Credit Facility or stand-alone letter of credit facilities at March 31, 2010 and September 30, 2009, respectively. We believe that the cash and cash equivalents at March 31, 2010 of $524.5 million, cash generated from our operations and availability of new debt and equity financing, if any, will be adequate to meet our liquidity needs during fiscal 2010.

As a result of these issues, in addition to our continued focus on generation and preservation of cash, we are also focused on increasing our stockholders' equity and reducing our leverage. In order to accomplish this goal, during the two quarters of fiscal 2010, we have taken actions to significantly increase our stockholders' equity and strengthen our balance sheet. As previously mentioned, during the first quarter of fiscal 2010, we filed an application for a federal income tax refund of approximately $101 million which resulted in a income tax benefit of $101 million. On January 12, 2010, we completed a $57.5 million Mandatory Convertible Subordinated Note offering and common stock offering of 22,425,000 shares, a portion of the proceeds from which were used to repay our outstanding 2011 Senior Notes. As a result of our 2011 Senior Notes repayment in January 2010, our next scheduled debt payment is not until 2012; however, holders of our Convertible Senior Notes have the right to require us to purchase all or any portion on June 15, 2011. In addition, on January 15, 2010, we completed a partial exchange of $75 million of our outstanding Junior Subordinated Notes. We recorded a gain related to this transaction of $53.6 million during our second fiscal quarter of fiscal 2010 (see Note 7 to the unaudited condensed consolidated financial statements where further discussed). As a result of our aforementioned actions and fiscal year-to-date operating results, our stockholders' equity and Tangible Net Worth increased to $353.2 million and $298.3 million, respectively, as of March 31, 2010.

We may also determine in the future that we need to issue additional new common or preferred equity. Any new issuance may take the form of public or private offerings for cash, equity issued to consummate acquisitions of assets or equity issued in exchange for a portion of our outstanding debt. We may also from time to time seek to continue to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or other debt securities, in open market purchases, privately negotiated transactions or otherwise. In addition, any material variance from our projected operating results or land investments, or investments in or acquisitions of businesses, or amounts paid to fulfill obligations with governmental entities, could require us to obtain additional equity or debt financing. Any such equity transactions 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. Also, there can be no assurance that we will be able to complete any of these transactions in the future on favorable terms or at all.

Stock Repurchases and Dividends Paid — The Company did not repurchase any shares in the open market during the six months ended March 31, 2010 or 2009. At March 31, 2010, there are approximately 5.4 million additional shares available for purchase pursuant to the Company's stock repurchase plan. However, as previously disclosed, we have currently suspended our repurchase program and any resumption of such program will be at the discretion of the Board of Directors and as allowed by our debt covenants and is unlikely in the foreseeable future.

Off-Balance Sheet Arrangements and Aggregate Contractual Commitments. At March 31, 2010, we controlled 29,764 lots (a 6.5-year supply based on trailing twelve month closings). We owned 83%, or 24,690 lots, and 5,074 lots, 17%, were under option contracts which generally require the payment of cash or the posting of a letter of credit for the right to acquire lots during a specified period of time at a certain price. We historically have attempted to control a portion of our land supply through options. As a result of the flexibility that these options provide us, upon a change in market conditions we may renegotiate the terms of the options prior to exercise or terminate the agreement. Under option contracts, purchase of the properties is contingent upon satisfaction of certain requirements by us and the sellers and our liability is generally limited to forfeiture of the non-refundable deposits, letters of credit and other non-refundable amounts incurred, which aggregated approximately $31.4 million at March 31, 2010. This amount includes non-refundable letters of credit of approximately $3.8 million. The total remaining purchase price, net of cash deposits, committed under all options was $285.6 million as of March 31, 2010.

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

We have historically funded the exercise of land options through operating cash flows. 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 (VIEs) under FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* (FIN 46R) (ASC 810). 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 unaudited condensed consolidated balance sheets at March 31, 2010 and September 30, 2009 reflect consolidated inventory not owned of $49.0 million and $53.0 million, respectively. Obligations related to consolidated inventory not owned totaled $30.2 million at March 31, 2010 and $26.4 million at September 30, 2009. 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. When market conditions improve, we may expand our use of option agreements to supplement our owned inventory supply.

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 unaudited condensed consolidated balance sheets include investments in joint ventures totaling $21.4 million at March 31, 2010 and $30.1 million at September 30, 2009.

Our joint ventures typically obtain secured acquisition and development financing. At March 31, 2010, our unconsolidated joint ventures had borrowings outstanding totaling $396.0 million, of which $327.9 million related to one joint venture in which we are a 2.58% partner. Generally, we and our joint venture partners have provided varying levels of guarantees of debt or other obligations of our unconsolidated joint ventures. At March 31, 2010, we had repayment guarantees of $15.8 million of debt of certain of our unconsolidated joint ventures. One of our unconsolidated joint ventures is in default under its debt agreements at March 31, 2010. To the extent that we are unable to reach satisfactory resolutions, we may be called upon to perform under our applicable guarantees. See Note 3 to the unaudited condensed consolidated financial statements.

We had outstanding letters of credit and performance bonds of approximately $41.0 million and $201.2 million, respectively, at March 31, 2010 related principally to our obligations to local governments to construct roads and other improvements in various developments. Our letters of credit include $3.8 million relating to our land option contracts discussed above.

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 March 31, 2010, we had $6.3 million of variable rate debt outstanding. Based on our average outstanding borrowings under our variable rate debt at March 31, 2010, a one-percentage point increase in interest rates would negatively impact our annual pre-tax earnings by approximately $0.06 million.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of March 31, 2010.

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.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Litigation

Derivative Shareholder Actions. Certain of Beazer Homes' current and former officers and directors were named as defendants in two derivative shareholder suits filed on April 16, 2007 and August 29, 2007 in the United States District Court for the Northern District of Georgia, which were subsequently consolidated. Beazer Homes is named as a nominal defendant. The amended consolidated 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, and seeks an unspecified amount of compensatory damages against the individual defendants and in favor of Beazer Homes. The parties have settled the lawsuit and the settlement has been approved by the court. Under the terms of the settlement, the action was dismissed with prejudice, and the Company and all other defendants do not admit any liability. Pursuant to the terms of the settlement, the Company acknowledged that the pendency of the derivative action was a factor in the Company's adoption of various corporate governance reforms and remedial measures, all of which have previously been disclosed, and agreed that plaintiffs' counsel would receive attorney's fees not to exceed $950,000, which was funded by insurance proceeds.

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 making similar allegations and the court consolidated these five lawsuits. 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. On October 10, 2008, the Company and the other defendants filed a motion to dismiss the consolidated amended complaint. The court granted the defendants' motion to dismiss on two of the plaintiffs' five claims but allowed the plaintiffs to proceed with the three other claims. The Company intends to vigorously defend against these actions.

Homeowners Class Action Lawsuits and Multi-Plaintiff Lawsuit. A 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 which the Company moved to dismiss. The magistrate judge recommended that the district court grant the defendants' motion to dismiss the RESPA claim but deny the motion to dismiss the § 75-1.1 claim and on March 8, 2010, the court adopted the magistrate judge's report and recommendation in full. The parties have reached a tentative agreement to settle the lawsuit, which will be partially funded by insurance proceeds and is subject to court approval. Under the terms of the settlement, the action will be dismissed with prejudice, and the Company and all other defendants will not admit any liability.

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 complaint was filed on behalf of individual homeowners who purchased homes from Beazer in Mecklenburg County and alleges certain deceptive conduct by the defendants and brings various claims under North Carolina statutory and common law, including a claim for punitive damages. The case was assigned to the docket of the North Carolina Business Court. The plaintiffs filed four amended complaints, and the Company filed a motion to dismiss each of the complaints filed by the plaintiffs. With the exception of all claims of one plaintiff and one claim as to all plaintiffs, which claims have now been dismissed, the court denied the defendants' motion to dismiss. The parties have settled the lawsuit and a portion of the settlement amount will be funded through insurance proceeds. The amount of the settlement payment is not material to the Company's financial position or results of operations. Under the terms of the settlement, the action will be dismissed with prejudice, and the Company and all other defendants do not admit any liability.

Beazer Homes and several subsidiaries 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 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 and plaintiffs filed a Second Amended Complaint which substituted new named-plaintiffs. The Company filed a motion to dismiss the Second Amended Complaint, which the federal court granted in part. The federal court dismissed the sole federal claim, declined to rule on the state law claims, and remanded the case to the Superior Court of Placer County. The Company filed a supplemental motion to dismiss/demurrer regarding the remaining state law claims in the Second Amended Complaint and the state court sustained defendants' demurrer but granted the plaintiffs leave to amend their claims. Plaintiffs thereafter filed a Third Amended Complaint which defendants removed to federal court based on the presence of a federal question and pursuant to the Class Action Fairness Act and thereafter moved to dismiss. Plaintiffs filed a motion to remand the case. The federal court granted the plaintiffs' motion and remanded the case to the Superior Court of Placer County. The defendants filed a petition with the U.S. Court of Appeals for the Ninth Circuit for permission to appeal the remand order and a demurrer in state court as to all counts of the Third Amended Complaint. The Company intends to continue to vigorously defend against the action.

We cannot predict or determine the timing or final outcome of the lawsuits or the effect that any adverse findings or adverse determinations in the pending lawsuits may have on us. In addition, an estimate of possible loss or range of loss, if any, cannot presently be made with respect to the above pending matters. An unfavorable determination resulting from any governmental investigation could result in the filing of criminal charges, payment of substantial criminal or civil restitution, the imposition of injunctions on our conduct or the imposition of other penalties or consequences, including but not limited to the Company having to adjust, curtail or terminate 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 pending lawsuits could result in the payment by us of substantial monetary damages which may not be fully covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and the Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our business, financial condition and results of operations.

Other Matters

As disclosed in our 2009 Form 10-K, on July 1, 2009, the Company announced that it has resolved the criminal and civil investigations by the United States Attorney's Office in the Western District of North Carolina (the U.S. Attorney) and other state and federal agencies concerning matters that were the subject of the independent investigation, initiated in April 2007 by the Audit Committee of the Board of Directors (the Investigation) and concluded in May 2008. Under the terms of the deferred prosecution agreement (DPA), the Company's liability for fiscal 2010 will be equal to the greater of $1 million or 4% of the Company's adjusted EBITDA (as defined in the DPA) and in each of the fiscal years after 2010 through a portion of fiscal 2014 (unless extended as described in Note 9) will also be equal to 4% of the Company's adjusted EBITDA (as defined in the DPA). The total amount of such obligations will be dependent on several factors; however, the maximum liability under the DPA and other settlement agreements discussed above will not exceed $55.0 million of which $14 million was paid during fiscal 2009.

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 communities completed or under construction. The EPA has since requested information on additional communities 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 March 31, 2010, no monetary penalties had been imposed in connection with such Administrative Orders. Consistent with its approach with other homebuilders, the EPA has contacted the Company about a possible resolution of these issues. Settlement negotiations are proceeding. 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 communities 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.

On June 3, 2009, a purported class action complaint was filed by the owners of one of our homes in our Magnolia Lakes' community in Ft. Myers, Florida. The complaint names the Company and certain distributors and suppliers of drywall and was filed in the Circuit Court for Lee County, Florida on behalf of the named plaintiffs and other similarly situated owners of homes in Magnolia Lakes or alternatively in the State of Florida. The plaintiffs allege that the Company built their homes with defective drywall, manufactured in China, that contains sulfur compounds that allegedly corrode certain metals and that are allegedly capable of harming the health of individuals. Plaintiffs allege physical and economic damages and seek legal and equitable relief, medical monitoring and attorney's fees. This case has been transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation. The Company believes that the claims asserted in this complaint are governed by its home warranty or are without merit. Accordingly, the Company intends to vigorously defend against this litigation.

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

The lender of one of our unconsolidated joint ventures has filed individual lawsuits against some of the joint venture partners and certain of those partners' parent companies (including the Company), seeking to recover damages under completion guarantees, among other claims. We intend to vigorously defend against this legal action. We are a 2.58% partner in this joint venture (see Note 3 for additional information). In addition, one member of the joint venture has filed an arbitration proceeding against the remaining members related to the plaintiff-member's allegations that the other members have failed to perform under the applicable membership agreements. The arbitration proceeding in this matter was held in February 2010.

Item 6. Exhibits

3.1	Certificate of Amendment to the Amended and Restated Certificate of Incorporation as of April 13, 2010
10.1	2010 Equity Incentive Plan
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: May 3, 2010

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

Exhibit 3.1

CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
BEAZER HOMES USA, INC.

I.

The name of the corporation is “Beazer Homes USA, Inc.” (hereinafter referred to as the “Corporation”).

II.

The Amended and Restated Certificate of Incorporation of the Corporation is amended by deleting Section (i) of the existing Article Four in its entirety and inserting in lieu thereof the following:

“(i) 180,000,000 shares of Common Stock, par value $.001 per shares; and”

III.

In accordance with the provisions of Section 242 of the Delaware General Corporation Law (“DGCL”), the Board of Directors of the Corporation duly adopted the above amendment to the Amended and Restated Certificate of Incorporation (the “Amendment”), deemed the Amendment advisable and directed that the Amendment be considered by the Corporation’s stockholders. Notice of the Amendment was duly given to the stockholders of the Corporation in accordance with Section 222 of the DGCL. The Amendment was adopted by the Corporation’s stockholders on April 13, 2010 in accordance Section 242 of the DGCL.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment to the Amended and Restated Articles of Incorporation of the Corporation this 13th day of April, 2010.

BEAZER HOMES USA, INC.

By: /s/ Ian J. McCarthy

Name: Ian J. McCarthy

Title: President and Chief Executive Officer

Exhibit 10.1

BEAZER HOMES USA, INC.
2010 EQUITY INCENTIVE PLAN

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ARTICLE I
DEFINITIONS

1.01 409A Award

409A Award means an Award that is intended to be subject to Code Section 409A.

1.02 Affiliate

Affiliate, as it relates to any limitations or requirements with respect to Incentive Stock Options, means any "subsidiary" or "parent" corporation (as such terms are defined in Code Section 424) of the Company. Affiliate otherwise means any entity that is part of a controlled group of corporations or is under common control with the Company within the meaning of Code Sections 1563(a), 414(b) or 414(c), except that, in making any such determination, fifty percent (50%) shall be substituted for eighty percent (80%) under such Code Sections and the related regulations.

1.03 Agreement

Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an Award granted to such Participant.

1.04 Award

Award means an Option, SAR, Restricted Stock Award, Restricted Stock Unit, Incentive Award, Other Stock-Based Award or Dividend Equivalent granted under this Plan.

1.05 Beneficial Ownership

Beneficial Ownership means "beneficial ownership" as such term is used in Rule 13d-3 promulgated under the Exchange Act.

1.06 Board

Board means the Board of Directors of the Company.

1.07 Cause

Cause has the same definition as under any employment or service agreement between the Company or any Affiliate and the Participant or, if no such employment or service agreement exists or if such employment or service agreement does not contain any such definition, Cause means (a) the Participant's act or failure to act amounting to gross negligence or willful misconduct to the detriment of the Company or any Affiliate; (b) the Participant's dishonesty, fraud, theft or embezzlement of funds or properties in the course of Participant's employment or service; (c) the Participant's commission of or pleading guilty to or confessing to any felony; or (d) the Participant's breach of any restrictive covenant agreement with the Company or any

Affiliate, including, but not limited to, covenants not to compete, non-solicitation covenants and non-disclosure covenants.

1.08 Change in Control

Change in Control means the occurrence of any of the following events:

(a) The accumulation in any number of related or unrelated transactions by any Person of Beneficial Ownership of twenty-five percent (25%) or more of the combined voting power of the Company's voting stock; provided that for purposes of this subsection (a), a Change in Control will not be deemed to have occurred if the accumulation of twenty-five percent (25%) or more of the Beneficial Ownership of the combined voting power of the Company's voting stock resulted from (i) any acquisition of voting stock by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate or (ii) any acquisition of voting stock directly from the Company provided the Person's Beneficial Ownership of the combined voting power of the Company's voting stock at no time thereafter equals thirty-five percent (35%) or more of the combined voting power of the Company's voting stock; or

(b) Consummation of a merger, consolidation, reorganization or similar transaction (a "Business Combination"), unless, immediately following that Business Combination, (i) all or substantially all of the Persons who had Beneficial Ownership of the voting stock of the Company immediately prior to that Business Combination have Beneficial Ownership, directly or indirectly, of more than fifty percent (50%) of the combined voting power of the Company's or the surviving entity's voting stock resulting from that Business Combination (including, without limitation, an entity that as a result of that 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 relative to each other as their Beneficial Ownership, immediately prior to that Business Combination, of the voting stock of the Company, (ii) no Person acquires Beneficial Ownership of twenty five percent (25%) or more of the combined voting power of the Company's or the surviving entity's voting stock resulting from that Business Combination (including, without limitation, an entity that as a result of that transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) and (iii) the Business Combination does not result in a Change in Control under subsection (c) below; provided that for purposes of this subsection (b), a Change in Control will not be deemed to have occurred as the result of any Person's accumulation of Beneficial Ownership of twenty-five percent (25%) or more, but less than thirty-five percent (35%), of the combined voting power of the Company's or the surviving entity's voting stock resulting from that Business Combination so long as the Board approved the Business Combination; or

(c) Less than a majority of the members of the Board of Directors of the Company or any entity resulting from a Business Combination are Incumbent Board Members; or

(d) A sale or other disposition of all or substantially all of the assets of the Company, except pursuant to a Business Combination that would not cause a Change in Control under subsection (b) above; or

(e) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that would not cause a Change in Control under subsection (b) above.

Notwithstanding the foregoing, a Change in Control shall only be deemed to have occurred with respect to a Participant and the Participant's 409A Award if the Change in Control otherwise constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of Code Section 409A (except that, with respect to vesting of the 409A Award, Change in Control shall have the same meaning as described above).

1.09 Code

Code means the Internal Revenue Code of 1986 and any amendments thereto.

1.10 Committee

Committee means the Compensation Committee of the Board, or the Board itself if no Compensation Committee exists. If such Compensation Committee exists, if and to the extent deemed necessary by the Board, such Compensation Committee shall consist of two or more directors, all of whom are (i) "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act, (ii) "outside directors" within the meaning of Code Section 162(m) and (iii) independent directors under the rules of any stock exchange on which the Company's securities are traded.

1.11 Common Stock

Common Stock means the common stock, $.001 par value per share, of the Company.

1.12 Company

Company means Beazer Homes USA, Inc., a Delaware corporation, and any successor thereto.

1.13 Control Change Date

Control Change Date means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the "Control Change Date" is the date of the last of such transactions.

1.14 Corresponding SAR

Corresponding SAR means a SAR that is granted in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.

1.15 Dividend Equivalent

Dividend Equivalent means the right, granted under the Plan, to receive shares of Common Stock or other Awards equal in value to all or a specified portion of dividends paid with respect to a specified number of shares of Common Stock.

1.16 Exchange Act

Exchange Act means the Securities Exchange Act of 1934, as amended.

1.17 Fair Market Value

Fair Market Value of a share of Common Stock means, on any given date, the fair market value of a share of Common Stock as the Committee, in its discretion, shall determine; provided, however, that the Committee shall determine Fair Market Value without regard to any restriction other than a restriction which, by its terms, will never lapse and, if the shares of Common Stock are traded on any national stock exchange or quotation system, the Fair Market Value of a share of Common Stock shall be the closing price of a share of Common Stock as reported on such stock exchange or quotation system on such date, or if the shares of Common Stock are not traded on such stock exchange or quotation system on such date, then on the next preceding day that the shares of Common Stock were traded on such stock exchange or quotation system, all as reported by such source as the Committee shall select. The Fair Market Value that the Committee determines shall be final, binding and conclusive on the Company, any Affiliate and each Participant. Fair Market Value relating to the exercise price, Initial Value or purchase price of any Non-409A Award that is an Option, SAR or Other Stock-Based Award in the nature of purchase rights shall conform to the requirements for exempt stock rights under Code Section 409A.

1.18 Full Value Award

Full Value Award means an Award other than an Option, SAR or Other Stock-Based Award in the nature of purchase rights.

1.19 Incentive Award

Incentive Award means an Award stated with reference to a specified dollar amount or number of shares of Common Stock which, subject to such terms and conditions as may be prescribed by the Committee, entitles the Participant to receive shares of Common Stock from the Company.

1.20 Incumbent Board Member

Incumbent Board Member means an individual who either is (a) a member of the Company’s Board as of the effective date of the adoption of this Plan or (b) a member who becomes a member of the Company’s Board subsequent to the date of the adoption of this Plan whose election, or nomination for election by the Company’s shareholders, was approved by a vote of a majority of the then Incumbent Board Members (either by a specific vote or by

approval of the proxy statement of the Company in which that Person is named as a nominee for director, without objection to that nomination), but excluding, for that purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors.

1.21 Initial Value

Initial Value means, with respect to a Corresponding SAR, the Option price per share of the related Option and, with respect to a SAR granted independently of an Option, the amount determined by the Committee on the date of grant which shall not be less than the Fair Market Value of one share of Common Stock on the date of grant.

1.22 Named Executive Officer

Named Executive Officer means a Participant who, as of the last day of a taxable year, is the Chief Executive Officer of the Company (or is acting in such capacity) or one of the three highest compensated officers of the Company (other than the Chief Executive Officer or the Chief Financial Officer) or is otherwise one of the group of "covered employees," all as defined in the regulations promulgated under Code Section 162(m).

1.23 Non-409A Award

Non-409A Award means an Award that is not intended to be subject to Code Section 409A.

1.24 Option

Option means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.

1.25 Other Stock-Based Award

Other Stock-Based Award means an Award granted to the Participant under Article XII of the Plan.

1.26 Participant

Participant means an employee of the Company or an Affiliate, a member of the Board or Board of Directors of an Affiliate (whether or not an employee), a Person who provides services to the Company or an Affiliate or any entity which is a wholly-owned alter ego of such employee, member of the Board or Board of Directors of an Affiliate or other such Person and who satisfies the requirements of Article V and is selected by the Committee to receive an Award.

1.27 Plan

Plan means this Beazer Homes USA, Inc. 2010 Equity Incentive Plan, in its current form and as hereafter amended.

1.28 Person

Person means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or any other entity of any kind.

1.29 Restricted Stock Award

Restricted Stock Award means shares of Common Stock granted to a Participant under Article IX.

1.30 Restricted Stock Unit

Restricted Stock Unit means an Award, stated with respect to a specified number of shares of Common Stock, that entitles the Participant to receive one share of Common Stock with respect to each Restricted Stock Unit that becomes payable under the terms and conditions of the Plan and the applicable Agreement.

1.31 SAR

SAR means a stock appreciation right that in accordance with the terms of an Agreement entitles the holder to receive a number of shares of Common Stock based on the increase in the Fair Market Value of the shares underlying the stock appreciation right during a stated period specified by the Committee over the Initial Value. References to "SARs" include both Corresponding SARs and SARs granted independently of Options, unless the context requires otherwise.

1.32 Ten Percent Shareholder

Ten Percent Shareholder means any individual who (considering the stock attribution rules described in Code Section 424(d)) owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.

ARTICLE II
PURPOSES

The Plan is intended to assist the Company and its Affiliates in recruiting and retaining individuals with ability and initiative by enabling such Persons to participate in the future success of the Company and its Affiliates by aligning their interests with those of the Company and its stockholders.

ARTICLE III
TYPES OF AWARDS

The Plan is intended to permit the grant of Options qualifying under Code Section 422 (“Incentive Stock Options”) and Options not so qualifying, SARs, Restricted Stock Awards, Restricted Stock Units, Incentive Awards, Other Stock-Based Awards and Dividend Equivalents in accordance with the Plan and procedures that may be established by the Committee. No Option that is intended to be an Incentive Stock Option shall be invalid for failure to qualify as an Incentive Stock Option. The proceeds received by the Company from the sale of shares of Common Stock pursuant to this Plan may be used for general corporate purposes.

ARTICLE IV
ADMINISTRATION

4.01 General Administration

The Plan shall be administered by the Committee. The Committee shall have authority to grant Awards upon such terms (not inconsistent with the provisions of this Plan) as the Committee may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan) on the grant, exercisability, transferability, forfeitability and settlement of all or any part of an Award, among other terms. Notwithstanding any such conditions, the Committee may, in its discretion, accelerate the time at which an Award may be exercised, become transferable or nonforfeitable or earned and settled only (i) in the event of the Participant’s death, disability, retirement or involuntary termination of employment or service or (ii) in connection with a Change in Control. In addition, the Committee shall have complete authority to interpret all provisions of this Plan including, without limitation, the discretion to interpret any terms used in the Plan that are not defined herein; to prescribe the form of Agreements; to adopt, amend and rescind rules and regulations pertaining to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. Any decision made, or action taken, by the Committee in connection with the administration of this Plan shall be final and conclusive. The members of the Committee shall not be liable for any act done in good faith with respect to this Plan or any Agreement or Award. Unless otherwise provided by the Bylaws of the Company, by resolution of the Board or applicable law, a majority of the members of the Committee shall constitute a quorum, and acts of the majority of the members present at any meeting at which a quorum is present, and any acts approved in writing by all members of the Committee without a meeting, shall be the acts of the Committee.

4.02 Delegation of Authority

The Committee may act through subcommittees, in which case the subcommittee shall be subject to and have the authority hereunder applicable to the Committee, and the acts of the subcommittee shall be deemed to be the acts of the Committee hereunder. Additionally, to the extent applicable law so permits, the Committee, in its discretion, may delegate to one or more officers of the Company all or part of the Committee’s authority and duties with respect to

Awards to be granted to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act nor members of the Board or the Board of Directors of an Affiliate. The Committee may revoke or amend the terms of any delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan and the Committee's prior delegation. If and to the extent deemed necessary by the Board, (a) all Awards granted to any individual who is subject to the reporting and other provisions of Section 16 of the Exchange Act shall be made by a Committee comprised solely of two or more directors, all of whom are "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act, to the extent necessary to exempt the Award from the short-swing profit rules of Section 16(b) of the Exchange Act and (b) all Awards granted to an individual who is a Named Executive Officer shall be made by a Committee comprised solely of two or more directors, all of whom are "outside directors" within the meaning of Code Section 162(m), to the extent necessary to preserve any deduction under Code Section 162(m). An Award granted to an individual who is a member of the Committee may be approved by the Committee in accordance with the applicable Committee charters then in effect and other applicable law.

4.03 Indemnification of Committee

The Company shall bear all expenses of administering this Plan. The Company shall indemnify and hold harmless each Person who is or shall have been a member of the Committee acting as administrator of the Plan, or any delegate of such, against and from any cost, liability, loss or expense that may be imposed upon or reasonably incurred by such Person in connection with or resulting from any action, claim, suit or proceeding to which such Person may be a party or in which such Person may be involved by reason of any action taken or not taken under the Plan and against and from any and all amounts paid by such Person in settlement thereof, with the Company's approval, or paid by such Person in satisfaction of any judgment in any such action, suit or proceeding against such Person, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. Notwithstanding the foregoing, the Company shall not indemnify and hold harmless any such Person if (a) applicable law or the Company's Articles of Incorporation or Bylaws prohibit such indemnification or (b) such Person did not act in good faith and in a manner that such Person believed to be consistent with the Plan or (c) such Person's conduct constituted gross negligence or willful misconduct. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law or otherwise, or under any other power that the Company may have to indemnify such Person or hold him or her harmless. The provisions of the foregoing indemnity shall survive indefinitely the term of this Plan.

ARTICLE V
ELIGIBILITY

Any employee of the Company or an Affiliate (including an entity that becomes an Affiliate after the adoption of this Plan), a member of the Board or the Board of Directors of an Affiliate (including an entity that becomes an Affiliate after the adoption of the Plan) (whether or

not such Board member is an employee), any other Person who provides services to the Company or an Affiliate (including an entity that becomes an Affiliate after the adoption of the Plan) and any entity which is a wholly-owned alter ego of such employee, member of the Board or Board of Directors of an Affiliate or other such Person is eligible to participate in this Plan if the Committee, in its sole discretion, determines that such Person or entity has contributed significantly or can be expected to contribute significantly to the profits or growth of the Company or any Affiliate or if it is otherwise in the best interest of the Company or any Affiliate for such Person or entity to participate in this Plan. With respect to any Board member who is (i) designated or nominated to serve as a Board member by a stockholder of the Company and (ii) an employee of such stockholder of the Company, then, at the irrevocable election of the employing stockholder, the Person or entity who shall be eligible to participate in this Plan on behalf of the service of the respective Board member shall be the employing stockholder (or one of its Affiliates). To the extent such election is made, the respective Board member shall have no rights hereunder as a Participant with respect to such Board member's participation in this Plan. An Award may be granted to a Person or entity who has been offered employment or service by the Company or an Affiliate and who would otherwise qualify as eligible to receive the Award to the extent that Person or entity commences employment or service with the Company or an Affiliate, provided that such Person or entity may not receive any payment or exercise any right relating to the Award, and the grant of the Award will be contingent, until such Person or entity has commenced employment or service with the Company or an Affiliate.

ARTICLE VI
COMMON STOCK SUBJECT TO PLAN

6.01 Common Stock Issued

Upon the issuance of shares of Common Stock pursuant to an Award, the Company may deliver to the Participant (or the Participant's broker if the Participant so directs) shares of Common Stock from its authorized but unissued Common Stock, treasury shares or reacquired shares, whether reacquired on the open market or otherwise.

6.02 Aggregate Limit

The maximum aggregate number of shares of Common Stock that may be issued under this Plan and to which Awards may relate is 6,000,000 shares of Common Stock. All 6,000,000 of such shares may be issued pursuant to Options that are intended to be Incentive Stock Options, Options that are not intended to be Incentive Stock Options, SARs and/or Other Stock-Based Awards in the nature of purchase rights; provided, however, that to the extent shares of Common Stock not issued under an Award must be counted against this limit as a condition to satisfying the rules applicable to Incentive Stock Options, such rule shall apply only to the limit on Incentive Stock Options granted under the Plan. Only 3,000,000 of such shares may be issued pursuant to Full Value Awards. The maximum number of shares of Common Stock that may be issued in each instance shall be subject to adjustment as provided in Article XVI.

6.03 Individual Limit

The maximum number of shares of Common Stock that may be covered by Awards granted to any one Participant during any period of three consecutive calendar years shall be 2,100,000 shares of Common Stock, of which no more than 1,050,000 shares of such Common Stock may be covered by Full Value Awards during such period of three consecutive calendar years (regardless of whether settlement of the Award is to occur prior to, at the time of, or after the time of vesting). For purposes of the foregoing limit, an Option and its corresponding SAR shall be treated as a single Award. For any Award stated with reference to a specified dollar amount, for purposes of applying the foregoing limit, the specified dollar amount of the Award will be converted into an equivalent number of shares of Common Stock based upon the Fair Market Value of the Common Stock on the date of grant of the Award. If an Award that a Participant holds is cancelled or subject to a repricing within the meaning of the regulations under Code Section 162(m) (after shareholder approval as required herein), the cancelled Award shall continue to be counted against the maximum number of shares of Common Stock for which Awards may be granted to the Participant in any calendar year as required under Code Section 162(m). The maximum number of shares that may be granted in any calendar year to any Participant shall be subject to adjustment as provided in Article XVI.

6.04 Reissue of Awards and Shares

Shares of Common Stock covered by an Award shall only be counted as used to the extent they are actually used. A share of Common Stock issued in connection with any Award under the Plan shall reduce the total number of shares of Common Stock available for issuance under the Plan by one; provided, however, that a share of Common Stock covered under a stock-settled SAR shall reduce the total number of shares of Common Stock available for issuance under the Plan by one even though the shares of Common Stock are not actually issued in connection with settlement of the SAR. Except as otherwise provided herein, any shares of Common Stock related to an Award which terminates by expiration, forfeiture, cancellation or otherwise without issuance of shares of Common Stock shall again be available for issuance under the Plan. The following shares of Common Stock, however, may not again be made available for issuance as Awards under the Plan: (i) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Award, (ii) shares of Common Stock tendered or withheld to pay the exercise price, purchase price or withholding taxes relating to an outstanding Award, or (iii) shares of Common Stock repurchased on the open market with the proceeds of the exercise or purchase price of an Award.

ARTICLE VII
OPTIONS

7.01 Grant

Subject to the eligibility provisions of Article V, the Committee will designate each individual or entity to whom an Option is to be granted and will specify the number of shares of Common Stock covered by such grant and whether the Option is an Incentive Stock Option or a nonqualified stock option. Notwithstanding any other provision of the Plan or any Agreement,

the Committee may only grant an Incentive Stock Option to an individual who is an employee of the Company or an Affiliate. An Option may be granted with or without a Corresponding SAR.

7.02 Option Price

The price per share of Common Stock purchased on the exercise of an Option shall be determined by the Committee on the date of grant, but shall not be less than the Fair Market Value of a share of Common Stock on the date the Option is granted. However, if at the time of grant of an Option that is intended to be an Incentive Stock Option, the Participant is a Ten Percent Shareholder, the price per share of Common Stock purchased on the exercise of such Option shall not be less than one hundred ten percent (110%) of the Fair Market Value of a share of Common Stock on the date the Option is granted.

7.03 Maximum Term of Option

The maximum time period in which an Option may be exercised shall be determined by the Committee on the date of grant, except that no Option shall be exercisable after the expiration of ten (10) years from the date such Option was granted (or five (5) years from the date such Option was granted in the event of an Incentive Stock Option granted to a Ten Percent Shareholder).

7.04 Exercise

Subject to the provisions of this Plan and the applicable Agreement, an Option may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine; provided, however, that Incentive Stock Options (granted under the Plan and all plans of the Company and its Affiliates) may not be first exercisable in a calendar year for shares of Common Stock having a Fair Market Value (determined as of the date the Option is granted) exceeding $100,000. If the limitation is exceeded, the Options that cause the limitation to be exceeded shall be treated as nonqualified stock options. An Option granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option could be exercised. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option. The exercise of an Option shall result in the termination of the Corresponding SAR to the extent of the number of shares with respect to which the Option is exercised.

7.05 Payment

Subject to rules established by the Committee and unless otherwise provided in an Agreement, payment of all or part of the Option price shall be made in cash or cash equivalent acceptable to the Committee. If the Agreement so provides, the Committee, in its discretion and provided applicable law so permits, may allow a Participant to pay all or part of the Option price (a) by surrendering (actually or by attestation) shares of Common Stock to the Company that the Participant already owns and, if necessary to avoid adverse accounting consequences, has held for at least six (6) months; (b) by a cashless exercise through a broker; (c) by means of a “net

exercise" procedure; (d) by such other medium of payment as the Committee, in its discretion, shall authorize; or (e) by any combination of the aforementioned methods of payment. If shares of Common Stock are used to pay all or part of the Option price, the sum of the cash and cash equivalent and the Fair Market Value (determined as of the day preceding the date of exercise) of the shares surrendered must not be less than the Option price of the shares for which the Option is being exercised.

7.06 Stockholder Rights

No Participant shall have any rights as a stockholder with respect to shares subject to his or her Option until the date of exercise of such Option and the issuance of the shares of Common Stock.

7.07 Disposition of Shares

A Participant shall notify the Company of any sale or other disposition of shares of Common Stock acquired pursuant to an Option that was designated an Incentive Stock Option if such sale or disposition occurs (a) within two (2) years of the grant of an Option or (b) within one (1) year of the issuance of shares of Common Stock to the Participant. Such notice shall be in writing and directed to the Secretary of the Company.

7.08 No Liability of Company

The Company shall not be liable to any Participant or any other Person if the Internal Revenue Service or any court or other authority having jurisdiction over such matter determines for any reason that an Option intended to be an Incentive Stock Option and granted hereunder does not qualify as an Incentive Stock Option.

ARTICLE VIII
SARS

8.01 Grant

Subject to the eligibility provisions of Article V, the Committee will designate each individual or entity to whom SARs are to be granted and will specify the number of shares of Common Stock covered by such grant. In addition, no Participant may be granted Corresponding SARs (under this Plan and all other Incentive Stock Option plans of the Company and its Affiliates) that are related to Incentive Stock Options which are first exercisable in any calendar year for shares of Common Stock having an aggregate Fair Market Value (determined as of the date the related Option is granted) that exceeds $100,000.

8.02 Maximum Term of SAR

The maximum term of a SAR shall be determined by the Committee on the date of grant, except that no SAR shall have a term of more than ten (10) years from the date such SAR was granted (or five (5) years for a Corresponding SAR that is related to an Incentive Stock Option and that is granted to a Ten Percent Shareholder). No Corresponding SAR shall be exercisable

or continue in existence after the expiration of the Option to which the Corresponding SAR relates.

8.03 Exercise

Subject to the provisions of this Plan and the applicable Agreement, a SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine; provided, however, that a SAR may be exercised only when the Fair Market Value of the Common Stock that is subject to the exercise exceeds the Initial Value of the SAR and a Corresponding SAR may be exercised only to the extent that the related Option is exercisable. A SAR granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the SAR could be exercised. A partial exercise of a SAR shall not affect the right to exercise the SAR from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the SAR. The exercise of a Corresponding SAR shall result in the termination of the related Option to the extent of the number of shares with respect to which the SAR is exercised.

8.04 Settlement

The amount payable to the Participant by the Company as a result of the exercise of a SAR shall be settled by the issuance of shares of Common Stock with a Fair Market Value that equals the amount payable. No fractional share will be deliverable upon the exercise of a SAR.

8.05 Stockholder Rights

No Participant shall, as a result of receiving a SAR, have any rights as a stockholder of the Company or any Affiliate until the date that the SAR is exercised and then only to the extent that the SAR is settled by the issuance of Common Stock.

ARTICLE IX
RESTRICTED STOCK AWARDS

9.01 Award

Subject to the eligibility provisions of Article V, the Committee will designate each individual or entity to whom a Restricted Stock Award is to be granted and will specify the number of shares of Common Stock covered by such grant.

9.02 Vesting

Subject to the Plan, the Committee, on the date of grant may, but need not, prescribe that a Participant’s rights in the Restricted Stock Award shall be forfeitable and nontransferable for a period of time or subject to such conditions as may be set forth in the Agreement. Notwithstanding any provision herein to the contrary, the Committee, in its sole discretion, may grant Restricted Stock Awards that are nonforfeitable and transferable immediately upon grant. By way of example and not of limitation, the Committee may prescribe that a Participant’s rights

in a Restricted Stock Award shall be forfeitable and nontransferable, subject to the Plan and any applicable Agreement, upon (a) the attainment of objectively determinable performance conditions based on the criteria described in Article XV, (b) the Participant's completion of a specified period of employment or service with the Company or an Affiliate, (c) the Participant's death, disability or retirement or (d) satisfaction of a combination of any of the foregoing factors. Notwithstanding the preceding sentences, if and to the extent deemed necessary by the Committee, Restricted Stock Awards granted to Named Executive Officers shall be forfeitable and nontransferable subject to attainment of objectively determinable performance conditions based on the criteria described in Article XV and shall be subject to the other requirements set forth in Article XV so as to enable such Restricted Stock Award to qualify as "qualified performance-based compensation" under the regulations promulgated under Code Section 162(m). A Restricted Stock Award can only become nonforfeitable and transferable during the Participant's lifetime in the hands of the Participant.

9.03 Maximum Restriction Period

To the extent the Participant's rights in a Restricted Stock Award are forfeitable and nontransferable for a period of time, the Committee on the date of grant shall determine the maximum period over which the rights may become nonforfeitable and transferable, except that such period shall not exceed ten (10) years from the date of grant.

9.04 Stockholder Rights

Prior to their forfeiture (in accordance with the Plan and any applicable Agreement and while the shares of Common Stock granted pursuant to the Restricted Stock Award may be forfeited and are nontransferable), a Participant will have all rights of a stockholder with respect to a Restricted Stock Award, including the right to receive dividends and vote the shares; provided, however, that during such period (a) a Participant may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of shares granted pursuant to a Restricted Stock Award, (b) the Company shall retain custody of any certificates evidencing shares granted pursuant to a Restricted Stock Award and (c) the Participant will deliver to the Company a stock power, endorsed in blank, with respect to each Restricted Stock Award. In lieu of retaining custody of the certificates evidencing shares granted pursuant to a Restricted Stock Award, the shares of Common Stock granted pursuant to the Restricted Stock Award may, in the Committee's discretion, be held in escrow by the Company or recorded as outstanding by notation on the stock records of the Company until the Participant's interest in such shares of Common Stock vest. Notwithstanding the preceding sentences, dividends payable with respect to Restricted Stock Awards shall accumulate (without interest) and become payable in shares of Common Stock to the Participant at the time, and only to the extent that, the portion of the Restricted Stock Award to which the dividends relate has become transferable and nonforfeitable. The limitations set forth in the preceding sentences shall not apply after the shares granted under the Restricted Stock Award are transferable and are no longer forfeitable.

ARTICLE X
RESTRICTED STOCK UNITS

10.01 Grant

Subject to the eligibility provisions of Article V, the Committee will designate each individual or entity to whom a grant of Restricted Stock Units is to be made and will specify the number of shares covered by such grant.

10.02 Earning the Award

Subject to the Plan, the Committee, on the date of grant of the Restricted Stock Units, shall prescribe that the Restricted Stock Units will be earned and become payable subject to such conditions as are set forth in the Agreement. By way of example and not of limitation, the Committee may prescribe that the Restricted Stock Units will be earned and become payable upon (a) the satisfaction of objectively determinable performance conditions based on the criteria described in Article XV, (b) the Participant's completion of a specified period of employment or service with the Company or an Affiliate, (c) the Participant's death, disability or retirement or (d) satisfaction of a combination of any of the foregoing factors. If and to the extent deemed necessary by the Committee, Restricted Stock Units granted to Named Executive Officers shall become payable upon the satisfaction of objectively determinable performance conditions based on the criteria described in Article XV and shall be subject to the other requirements set forth in Article XV so as to enable such Restricted Stock Units to qualify as "qualified performance-based compensation" under the regulations promulgated under Code Section 162(m).

10.03 Maximum Restricted Stock Unit Award Period

The Committee, on the date of grant, shall determine the maximum period over which Restricted Stock Units may be earned, except that such period shall not exceed ten (10) years from the date of grant.

10.04 Payment

The amount payable to the Participant by the Company when an Award of Restricted Stock Units is earned shall be settled by the issuance of one share of Common Stock for each Restricted Stock Unit that is earned. A fractional share of Common Stock shall not be deliverable when an Award of Restricted Stock Units is earned.

10.05 Stockholder Rights

No Participant shall, as a result of receiving a grant of Restricted Stock Units, have any rights as a stockholder until and then only to the extent that the Restricted Stock Units are earned and settled in shares of Common Stock. However, notwithstanding the foregoing, subject to the Plan, the Committee, in its sole discretion, may set forth in the Agreement that, for so long as the Participant holds any Restricted Stock Units, if the Company pays any cash dividends on its Common Stock, then the number of outstanding Restricted Stock Units covered by the Agreement shall be increased by the number of Restricted Stock Units, rounded down to the

nearest whole number, equal to (i) the product of the number of the Participant's outstanding Restricted Stock Units as of the record date for such dividend multiplied by the per share amount of the dividend divided by (ii) the Fair Market Value of a share of Common Stock on the payment date of such dividend. In the event such additional Restricted Stock Units are awarded, such Restricted Stock Units shall be subject to the same terms and conditions set forth in the Plan and the Agreement as the outstanding Restricted Stock Units with respect to which they were granted. The limitations set forth in the preceding sentences shall not apply after the Restricted Stock Units become earned and payable and shares are issued thereunder.

ARTICLE XI
INCENTIVE AWARDS

11.01 Grant

Subject to the eligibility provisions of Article V, the Committee will designate each individual or entity to whom Incentive Awards are to be granted. All Incentive Awards shall be determined exclusively by the Committee under the procedures established by the Committee.

11.02 Earning the Award

Subject to the Plan, the Committee, on the date of grant of an Incentive Award, shall specify in the applicable Agreement the terms and conditions which govern the grant, including, without limitation, whether the Participant to be entitled to payment must be employed or providing services to the Company or an Affiliate at the time the Incentive Award is to be paid. By way of example and not of limitation, the Committee may prescribe that the Incentive Award shall be earned and payable upon (a) the satisfaction of objectively determinable performance conditions based on the criteria described in Article XV, (b) the Participant's completion of a specified period of employment or service with the Company or an Affiliate, (c) the Participant's death, disability or retirement or (d) satisfaction of a combination of any of the foregoing factors. If and to the extent deemed necessary by the Committee, Incentive Awards granted to Named Executive Officers shall be earned and become payable upon the satisfaction of objectively determinable performance conditions based on the criteria described in Article XV and shall be subject to the other requirements set forth in Article XV so as to enable the Incentive Awards to qualify as "qualified performance-based compensation" under the regulations promulgated under Code Section 162(m).

11.03 Maximum Incentive Award Period

The Committee, at the time an Incentive Award is made, shall determine the maximum period over which the Incentive Award may be earned, except that such period shall not exceed ten (10) years from the date of grant.

11.04 Payment

The amount payable to the Participant by the Company when an Incentive Award is earned shall be settled by the issuance of shares of Common Stock with a Fair Market Value that

equals the amount payable. A fractional share of Common Stock shall not be deliverable when an Incentive Award is earned.

11.05 Stockholder Rights

No Participant shall, as a result of receiving an Incentive Award, have any rights as a stockholder of the Company or any Affiliate on account of such Incentive Award, unless and then only to the extent that the Incentive Award is earned and settled in shares of Common Stock.

ARTICLE XII
OTHER STOCK-BASED AWARDS

12.01 Other Stock-Based Awards

The Committee is authorized, subject to limitations under applicable law, to grant to a Participant such other Awards that may be denominated or payable in, valued in whole or in part by reference to or otherwise based on shares of Common Stock, including, without limitation, convertible or exchangeable securities and other rights convertible or exchangeable into shares of Common Stock or the cash value of shares of Common Stock. Subject to the Plan, the Committee shall determine the terms and conditions of any such Other Stock-Based Awards. Common Stock delivered pursuant to an Other Stock-Based Award in the nature of purchase rights shall be purchased for such consideration not less than the Fair Market Value of the shares of Common Stock as of the date the Other Stock-Based Award is granted, and may be paid for at such times, by such methods, and in the form of shares of Common Stock or other Awards, as the Committee shall determine. The maximum time period in which an Other Stock-Based Award in the nature of purchase rights may be exercised shall be determined by the Committee on the date of grant, except that no Other Stock-Based Award in the nature of purchase rights shall be exercisable after the expiration of ten (10) years from the date such Other Stock-Based Award was granted. Cash Awards, as an element of or supplement to any other Award under the Plan, may not be granted pursuant to this Plan.

12.02 Bonus Stock and Awards in Lieu of Other Obligations

The Committee also is authorized (i) to grant to a Participant shares of Common Stock as a bonus, (ii) to grant shares of Common Stock or other Awards in lieu of other obligations of the Company or any Affiliate to pay cash or to deliver other property under any other plans or compensatory arrangements of the Company or any Affiliate, (iii) to use available shares of Common Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or any Affiliate, and (iv) to grant as alternatives to or replacements of Awards granted or outstanding under the Plan or any other plan or arrangement of the Company or any Affiliate, subject to the Plan and such terms as shall be determined by the Committee and the overall limitation on the number of shares of Common Stock that may be issued under the Plan. Notwithstanding any other provision hereof, shares of Common Stock or other securities delivered to a Participant pursuant to a purchase right granted under this Plan shall be purchased for consideration, the Fair Market Value of which shall not be

less than the Fair Market Value of such shares of Common Stock or other securities as of the date such purchase right is granted.

ARTICLE XIII
DIVIDEND EQUIVALENTS

The Committee is authorized to grant Dividend Equivalents to a Participant which may be awarded on a free-standing basis or in connection with another Award. Subject to the Plan, the Committee may provide that Dividend Equivalents shall be paid or distributed in shares of Common Stock when accrued or shall be deemed to have been reinvested in additional shares of Common Stock or other Awards, subject to restrictions on transferability, risk of forfeiture and such other terms as the Committee may specify and set forth in the applicable Agreement. Notwithstanding the foregoing, no Dividend Equivalents may be awarded in connection with an Option, SAR or Other Stock-Based Award in the nature of purchase rights.

ARTICLE XIV
TERMS APPLICABLE TO ALL AWARDS

14.01 Written Agreement

Each Award shall be evidenced by a written Agreement (including any amendment or supplement thereto) between the Company and the Participant specifying the terms and conditions of the Award granted to such Participant. Each Agreement should specify whether the Award is intended to be a Non-409A Award or a 409A Award.

14.02 Nontransferability

Except as provided in Section 14.03 below, each Award granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution or pursuant to the terms of a valid qualified domestic relations order. In the event of any transfer of an Option or Corresponding SAR (by the Participant or his transferee), the Option and Corresponding SAR that relates to such Option must be transferred to the same Person or Persons or entity or entities. Except as provided in Section 14.03 below, during the lifetime of the Participant to whom the Option or SAR is granted, the Option or SAR may be exercised only by the Participant. No right or interest of a Participant in any Award shall be liable for, or subject to, any lien, obligation, or liability of such Participant or his transferee.

14.03 Transferable Awards

Section 14.02 to the contrary notwithstanding, if the Agreement so provides, an Award that is not an Incentive Stock Option or a Corresponding SAR that relates to an Incentive Stock Option may be transferred by a Participant to any of such class of transferees who can be included in the class of transferees who may rely on a Form S-8 Registration Statement under the Securities Act of 1933 to sell shares issuable upon exercise or payment of such Awards granted under the Plan. Any such transfer will be permitted only if (a) the Participant does not receive any consideration for the transfer, (b) the Committee expressly approves the transfer and (c) the transfer is on such terms and conditions as are appropriate for the class of transferees who may

rely on the Form S-8 Registration Statement. The holder of the Award transferred pursuant to this Section shall be bound by the same terms and conditions that governed the Award during the period that it was held by the Participant; provided, however, that such transferee may not transfer the Award except by will or the laws of descent and distribution. In the event of any transfer of an Option that is not an Incentive Stock Option or a Corresponding SAR that relates to an Incentive Stock Option (by the Participant or his transferee), the Option and Corresponding SAR that relates to such Option must be transferred to the same Person or Persons or entity or entities. Unless transferred as provided in Section 9.04, a Restricted Stock Award may not be transferred prior to becoming non-forfeitable and transferable.

14.04 Participant Status

If the terms of any Award provide that it may be exercised or paid only during employment or continued service or within a specified period of time after termination of employment or continued service, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability or other reasons shall not be deemed interruptions of continuous employment or service. For purposes of the Plan, employment and continued service shall be deemed to exist between the Participant and the Company and/or an Affiliate if, at the time of the determination, the Participant is a director, officer, employee, consultant or advisor of the Company or an Affiliate. A Participant on military leave, sick leave or other bona fide leave of absence shall continue to be considered an employee for purposes of the Plan during such leave if the period of leave does not exceed three (3) months, or, if longer, so long as the individual's right to re-employment with the Company or any of its Affiliates is guaranteed either by statute or by contract. If the period of leave exceeds three (3) months, and the individual's right to re-employment is not guaranteed by statute or by contract, the employment shall be deemed to be terminated on the first day after the end of such three (3) month period. Except as may otherwise be expressly provided in an Agreement, Awards granted to a director, officer, employee, consultant or advisor shall not be affected by any change in the status of the Participant so long as the Participant continues to be a director, officer, employee, consultant or advisor to the Company or any of its Affiliates (regardless of having changed from one to the other or having been transferred from one entity to another). The Participant's employment or continued service shall not be considered interrupted in the event the Committee, in its discretion, and as specified at or prior to such occurrence, determines there is no interruption in the case of a spin-off, sale or disposition of the Participant's employer from the Company or an Affiliate, except that if the Committee does not otherwise specify such at or such prior to such occurrence, the Participant will be deemed to have a termination of employment or continuous service to the extent the Affiliate that employs the Participant is no longer the Company or an entity that qualifies as an Affiliate. The foregoing provisions apply to a 409A Award only to the extent Code Section 409A does not otherwise treat the Participant as continuing in service or employment or as having a separation from service at an earlier time.

14.05 Change in Control

Notwithstanding any provision of any Agreement to the contrary, in the event of or in anticipation of a Change in Control (and only to the extent permitted by Code Section 409A for a 409A Award), the Committee, in its discretion, may (a) declare that some or all outstanding

Awards previously granted under the Plan, whether or not then exercisable or payable, shall terminate as of a date before or on the Change in Control without any payment to the holder of the Award, provided the Committee gives prior written notice to the Participants of such termination and gives such Participants the right to exercise their outstanding Awards for a reasonable time before such date to the extent then exercisable (or to the extent such Awards would be exercisable as of the Control Change Date), (b) terminate before or on the Control Change Date some or all outstanding Awards previously granted under the Plan, whether or not then exercisable or payable, in consideration of payment to the holder of the Award, with respect to each share of Common Stock for which the Award is then exercisable or payable (or for which the Award would have been exercisable or payable as of the Control Change Date), of the excess, if any, of the Fair Market Value on such date of the Common Stock subject to such portion of the Award over the Option price or Initial Value (if applicable) (provided that outstanding Awards that are not then exercisable or payable and that would not become exercisable or payable on the Control Change Date, and Options and SARs with respect to which the Fair Market Value of the Common Stock subject to the Options or SARs does not exceed the Option price or Initial Value, shall be cancelled without any payment therefor) or (c) take such other action as the Committee determines to be reasonable under the circumstances to permit the Participant to realize the value of the Award (which value for purposes of Awards that are not then exercisable or payable and that would not become exercisable or payable as of the Control Change Date, and Options and SARs with respect to which the Fair Market Value of the Common Stock subject to the Award does not exceed the Option price or Initial Value, shall be deemed to be zero). The payment described in (b) above shall be made only in cash, shares of stock or some combination thereof. The Committee may take the actions described in (a), (b) or (c) above with respect to Awards that are not then exercisable or payable whether or not the Participant will receive any payment therefor. The Committee, in its discretion, may take any of the actions described in this Section contingent on consummation of the Change in Control and with respect to some or all outstanding Awards, whether or not then exercisable or payable, or on an Award-by-Award basis, which actions need not be uniform with respect to all outstanding Awards. However, Awards shall not be terminated to the extent that written provision is made for their continuance, assumption or substitution by the Company or a successor employer or its parent or subsidiary in connection with the Change in Control. Except as otherwise provided in the Agreement covering the Award, if a Participant who is employed by (or a director of or other service provider to) the Company or any Affiliate at the time of the Change in Control then holds (i) one or more Options, SARs or Other Stock-Based Awards that are in the nature of purchase rights, all such Options, SARs and Other Stock-Based Awards shall become fully exercisable on and after the Change in Control (subject to the expiration provisions otherwise applicable to such Awards), and any shares of Common Stock purchased by the Participant under such Awards following such Change of Control shall be fully vested upon exercise, and (ii) one or more Full Value Awards, such Full Value Awards shall become fully vested on the date of the Change of Control; provided, however, that, if the amount of the Award where the vesting is to be determined is based on the level of performance achieved, the target level performance shall be deemed to have been achieved.

14.06 Stand-Alone, Additional, Tandem and Substitute Awards

Subject to Section 19.10 below, Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution or exchange for, any other Award or any Award granted under another plan of the Company or any Affiliate or any entity acquired by the Company or any Affiliate or any other right of a Participant to receive payment from the Company or any Affiliate; provided, however, that a 409A Award may not be granted in tandem with a Non-409A Award. Awards granted in addition to or in tandem with another Award or Awards may be granted either at the same time as or at a different time from the grant of such other Award or Awards. Subject to applicable law and the restrictions on 409A Awards and repricings in Section 19.10 below, the Committee may determine that, in granting a new Award, the in-the-money value or Fair Market Value of any surrendered Award or Awards or the value of any other right to payment surrendered by the Participant may be applied to the purchase of any other Award or Awards.

14.07 Form and Timing of Payment; Deferrals

Subject to the terms of the Plan and any applicable Agreement, payments to be made by the Company or an Affiliate upon the exercise of an Option or settlement of any other Award may be made in the form of shares of Common Stock or other Awards, as the Committee may determine and set forth in the applicable Agreement, and may be made in a single payment or transfer, in installments or on a deferred basis. The settlement of an Award may be accelerated, in the discretion of the Committee or upon the occurrence of one or more specified events set forth in the applicable Agreement (and to the extent permitted by the Plan and Code Section 409A). Subject to the Plan, installment or deferred payments may be required by the Committee or permitted at the election of the Participant on the terms and conditions established by the Committee. Payments 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 or other amounts in respect of installment or deferred payments denominated in shares of Common Stock. In the case of any 409A Award that is vested and no longer subject to a substantial risk of forfeiture (within the meaning of Code Sections 83 and 409A), such Award may be distributed to the Participant, upon application of the Participant to the Committee, if the Participant has an unforeseeable emergency within the meaning of Code Section 409A. Notwithstanding any other provision of the Plan, however, no dividends payable with respect to an Award or Dividend Equivalents may be paid in connection with any Awards or Dividend Equivalents that are to become nonforfeitable and transferable or earned and payable based upon performance conditions unless and until the performance conditions are satisfied, and any such dividends and Dividend Equivalents will accumulate (without interest) and become payable to the Participant at the time, and only to the extent that, the applicable Awards or Dividend Equivalents have become non-forfeitable and transferable or earned and payable upon satisfaction of the relevant performance conditions.

14.08 Time and Method of Exercise or Settlement

The Committee shall determine and set forth in the Agreement the time or times at which Awards granted under the Plan may be exercised or settled in whole or in part and shall set forth in the Agreement the rules regarding the exercise, settlement and/or termination of Awards upon

the Participant's death, disability, termination of employment or ceasing to be a director. Notwithstanding any other provision of the Plan, however, if an Award is to become exercisable, nonforfeitable and transferable or earned and payable on the completion of a specified period of employment or service with the Company or any Affiliate, without the achievement of any performance conditions being required, and the Award is not being granted in lieu of any other vested compensation the participant is to receive, then the required period of employment or service for the Award to become exercisable, non-forfeitable and transferable or earned and payable shall be not less than three (3) years or ratably (whether monthly, quarterly, annually or otherwise) over not less than three (3) years (subject to acceleration of vesting, to the extent permitted by the Plan and the Committee, in the event of a Change in Control or the Participant's death, disability, retirement or involuntary termination of employment or service); provided, however, that the foregoing limitation will not apply to any Award that is granted as an inducement to a person being hired or rehired by the Company or any Affiliate; and provided, further, that the Committee in its discretion may modify or accelerate the vesting schedule of an Award (subject to the other provisions of the Plan) only so long as the revised vesting schedule will not be any more rapid than the minimum vesting schedule described above (subject to permitted accelerations).

ARTICLE XV
QUALIFIED PERFORMANCE-BASED COMPENSATION

15.01 Performance Conditions

In accordance with the Plan, the Committee may prescribe that Awards will become exercisable, nonforfeitable and transferable and earned and payable based on objectively determinable performance conditions. Objectively determinable performance conditions are performance conditions (a) that are established in writing (i) at the time of grant or (ii) no later than the earlier of (x) ninety (90) days after the beginning of the period of service to which they relate and (y) before the lapse of twenty-five percent (25%) of the period of service to which they relate; (b) that are uncertain of achievement at the time they are established; and (c) the achievement of which is determinable by a third party with knowledge of the relevant facts. The performance conditions may include any or any combination of the following: (a) total return to shareholders; (b) cash flow (including, but not limited to, operating cash flow, free cash flow and cash flow return on capital); (c) return on assets (net or otherwise), capital, equity or sales; (d) stock price (including, but not limited to, growth measures); (e) basic or diluted earnings per share (before or after taxes); (f) reduction of outstanding debt; (g) extension of maturity dates of outstanding debt; (h) gross, operating or net earnings (income or other revenues) before or after taxes; (i) tangible net worth; (j) return on investments; (k) cash flow per share; (l) book value per share; (m) gross or operating margins; (n) customers; (o) Fair Market Value of the Company or any Affiliate; (p) market share; (q) level of expenses or other costs; (r) gross, operating or net revenue; (s) earnings before interest, taxes, depreciation and/or amortization ("EBITDA"); (t) EBITDA adjusted for restructuring and exit charges, stock-based compensation, material severance obligations and/or unusual or extraordinary events; (u) earnings before interest and taxes ("EBIT"); (v) adjusted EBIT; (w) EBITDA or EBIT less capital expenditures; (x) productivity ratios; (y) expense targets; (z) objective measures of customer satisfaction; (aa) working capital targets; (bb) objective measures of economic value added; (cc) inventory

control; (dd) customer retention; (ee) competitive market metrics; (ff) employee retention; (gg) timely completion of new product rollouts; (hh) timely launch of new facilities; (ii) objective measures of personal targets, goals or completion of projects; or (jj) peer group comparisons of any of the aforementioned performance conditions. Performance conditions may be related to a specific customer or group of customers or geographic region. The form of the performance conditions may be measured on a Company, Affiliate, division, business unit, service line, segment or geographic basis or any combination thereof. Performance goals may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities or other external measure of the selected performance conditions. Profits, earnings and revenues used for any performance condition measurement may exclude any extraordinary or non-recurring items. The performance conditions may, but need not, be based upon an increase or positive result under the aforementioned business criteria and could include, for example and not by way of limitation, maintaining the status quo or limiting the economic losses (measured, in each case, by reference to the specific business criteria). The performance conditions may not include solely the mere continued employment of the Participant. However, the Award may become exercisable, nonforfeitable and transferable or earned and payable contingent on the Participant's continued employment or service, and/or employment or service at the time the Award becomes exercisable, nonforfeitable and transferable or earned and payable, in addition to the performance conditions described above. The Committee shall have the sole discretion to select one or more periods of time over which the attainment of one or more of the foregoing performance conditions will be measured for the purpose of determining a Participant's right to, and the settlement of, an Award that will become exercisable, nonforfeitable and transferable or earned and payable based on performance conditions, except that the length of the performance period shall not be less than one year, except in the case of newly-hired or newly-promoted employees and, to the extent permitted by the Committee, in the event of the Participant's death, disability, retirement or involuntary termination of employment or service.

15.02 Establishing the Amount of the Award

The amount of the Award that will become exercisable, nonforfeitable and transferable or earned and payable if the performance conditions are obtained (or an objective formula for, or method of, computing such amount) also must be established at the time set forth in Section 15.01 above. Notwithstanding the preceding sentence, the Committee may, in its sole discretion, reduce the amount of the Award that will become exercisable, nonforfeitable and transferable or earned and payable, as applicable, if the Committee determines that such reduction is appropriate under the facts and circumstances. In no event shall the Committee have the discretion to increase the amount of the Award that will become exercisable, nonforfeitable and transferable or earned and payable.

15.03 Earning the Award

If the Committee, on the date of grant, prescribes that an Award shall become exercisable, nonforfeitable and transferable or earned and payable only upon the attainment of any of the above performance conditions, the Award shall become exercisable, nonforfeitable and transferable or earned and payable only to the extent that the Committee certifies in writing

that such conditions have been achieved. An Award will not satisfy the requirements of this Article XV to constitute "qualified performance-based compensation" if the facts and circumstances indicate the Award will become exercisable, nonforfeitable and transferable or earned and payable regardless of whether the performance conditions are attained. However, an Award does not fail to meet the requirements of this Article XV merely because the Award would become exercisable, nonforfeitable and transferable or earned and payable upon the Participant's death or disability or upon a Change in Control, although an Award that actually becomes exercisable, nonforfeitable and transferable or earned and payable on account of those events prior to the attainment of the performance conditions would not constitute "qualified performance-based compensation" under Code Section 162(m). In determining if the performance conditions have been achieved, the Committee may adjust the performance targets in the event of any unbudgeted acquisition, divestiture or other unexpected fundamental change in the business of the Company, an Affiliate or business unit or in any product that is material taken as a whole as appropriate to fairly and equitably determine if the Award is to become exercisable, nonforfeitable and transferable or earned and payable pursuant to the conditions set forth in the Award. Additionally, in determining if such performance conditions have been achieved, the Committee also may adjust the performance targets in the event of any (a) unanticipated asset write-downs or impairment charges, (b) litigation or claim judgments or settlements thereof, (c) changes in tax laws, accounting principles or other laws or provisions affecting reported results, (d) accruals for reorganization or restructuring programs, or extraordinary non-reoccurring items as described in Accounting Principles Board Opinion No. 30 or as described in management's discussion and analysis of the financial condition and results of operations appearing in the Company's Annual Report on Form 10-K for the applicable year, (e) acquisitions or dispositions or (f) foreign exchange gains or losses. To the extent any such adjustments affect Awards, the intent is that they shall be in a form that allows the Award to continue to meet the requirements of Code Section 162(m) for deductibility.

15.04 Performance Awards

The purpose of this Article XV is to permit the grant of Awards that constitute "qualified performance-based compensation" within the meaning of Code Section 162(m). The Committee may specify that the Award is intended to constitute "qualified performance-based compensation" by conditioning the right of the Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of any of the performance criteria and conditions set forth in this Article XV. Notwithstanding the foregoing, the Committee may grant an Award that is subject to the achievement or satisfaction of performance conditions that are not set forth herein to the extent the Committee does not intend for such Award to constitute "qualified performance-based compensation" within the meaning of Code Section 162(m).

ARTICLE XVI
ADJUSTMENT UPON CHANGE IN COMMON STOCK

16.01 General Adjustments

The maximum number of shares of Common Stock that may be issued pursuant to Awards, the terms of outstanding Awards and the per individual limitations on the number of shares of Common Stock that may be issued pursuant to Awards shall be adjusted as the Committee shall determine to be equitably required in the event (a) there occurs a reorganization, recapitalization, stock split, spin-off, split-off, stock dividend, issuance of stock rights, combination of shares, merger, consolidation or distribution to stockholders other than a cash dividend; (b) the Company engages in a transaction Code Section 424 describes; or (c) there occurs any other transaction or event which, in the judgment of the Committee, necessitates such action to prevent an enlargement or dilution of Participants' rights as a result of any such transaction or event. In that respect, the Committee shall make such adjustments as are necessary in the number or kind of shares of Common Stock or securities which are subject to the Award, the exercise price or Initial Value of the Award and such other adjustments as are appropriate in the discretion of the Committee. Such adjustments may provide for the elimination of fractional shares that might otherwise be subject to Awards without any payment therefor. Notwithstanding the foregoing, the conversion of one or more outstanding shares of preferred stock or convertible debentures that the Company may issue from time to time into Common Stock shall not in and of itself require any adjustment under this Article XVI. Any determination made under this Article XVI by the Committee shall be final and conclusive.

16.02 Substitute Awards

The Committee may grant Awards in substitution for Options, SARs, restricted stock, Restricted Stock Units, Incentive Awards or similar Awards held by an individual who becomes an employee of the Company or an Affiliate in connection with a transaction described in the first paragraph of this Article XVI. Notwithstanding any provision of the Plan (other than the limitation of Section 6.02), the terms of such substituted Awards shall be as the Committee, in its discretion, determines is appropriate.

16.03 Limitation On Adjustments

Notwithstanding the foregoing, no adjustment hereunder shall be authorized or made if and to the extent the existence of such authority or action (a) would cause Awards under the Plan that are intended to qualify as "qualified performance-based compensation" under Code Section 162(m) to otherwise fail to qualify as "qualified performance-based compensation," (b) would cause the Committee to be deemed to have the authority to change the targets, within the meaning of Code Section 162(m), under performance goals or relating to Awards granted to Named Executive Officers and intended to qualify as "qualified performance-based compensation" under Code Section 162(m), (c) would cause a Non-409A Award to be subject to Code Section 409A or (d) would violate Code Section 409A for a 409A Award, unless the Committee determines that such adjustment is necessary and specifically acknowledges that the adjustment will be made notwithstanding any such result.

ARTICLE XVII
COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES

17.01 Compliance

No Option or SAR shall be exercisable, no Restricted Stock Award, Restricted Stock Unit, Incentive Award, Other Stock-Based Award or Dividend Equivalents shall be granted or settled, no shares of Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Company is a party and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any stock certificate evidencing shares of Common Stock issued pursuant to an Award may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations and to reflect any other restrictions applicable to such shares as the Committee otherwise deems appropriate. No Option or SAR shall be exercisable, no Restricted Stock Award, Restricted Stock Unit, Incentive Award, Other Stock-Based Award or Dividend Equivalents shall be granted or settled, no shares of Common Stock shall be issued, no certificate for shares of Common Stock shall be delivered and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

17.02 Forfeiture of Payment

A Participant shall be required to forfeit any and all rights under Awards or to reimburse the Company for any payment under any Award (with interest as necessary to avoid imputed interest or original issue discount under the Code or as otherwise required by applicable law) to the extent applicable law requires such forfeiture or reimbursement.

ARTICLE XVIII
LIMITATION ON BENEFITS

Despite any other provisions of this Plan to the contrary, if the receipt of any payments or benefits under this Plan would subject a Participant to tax under Code Section 4999, the Committee may determine whether some amount of payments or benefits would meet the definition of a "Reduced Amount." If the Committee determines that there is a Reduced Amount, the total payments or benefits to the Participant under all Awards must be reduced to such Reduced Amount, but not below zero. If the Committee determines that the benefits and payments must be reduced to the Reduced Amount, the Company must promptly notify the Participant of that determination, with a copy of the detailed calculations by the Committee. All determinations of the Committee under this Article XVIII are final, conclusive and binding upon the Company and the Participant. It is the intention of the Company and the Participant to reduce the payments under this Plan only if the aggregate Net After Tax Receipts to the Participant would thereby be increased. As result of the uncertainty in the application of Code Section 4999 at the time of the initial determination by the Committee under this Article XVIII,

however, it is possible that amounts will have been paid under the Plan to or for the benefit of a Participant which should not have been so paid ("Overpayment") or that additional amounts which will not have been paid under the Plan to or for the benefit of a Participant could have been so paid ("Underpayment"), in each case consistent with the calculation of the Reduced Amount. If the Committee, based either upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant, which the Committee believes has a high probability of success, or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment must be treated for all purposes as a loan, to the extent permitted by applicable law, which the Participant must repay to the Company together with interest at the applicable federal rate under Code Section 7872(f)(2); provided, however, that no such loan may be deemed to have been made and no amount shall be payable by the Participant to the Company if and to the extent such deemed loan and payment would not either reduce the amount on which the Participant is subject to tax under Code Sections 1, 3101 or 4999 or generate a refund of such taxes. If the Committee, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, the Committee must promptly notify the Company of the amount of the Underpayment, which then shall be paid promptly to the Participant but no later than the end of the Participant's taxable year next following the Participant's taxable year in which the determination is made that the Underpayment has occurred. For purposes of this Section, (a) "Net After Tax Receipt" means the Present Value of a payment under this Plan net of all taxes imposed on Participant with respect thereto under Code Sections 1, 3101 and 4999, determined by applying the highest marginal rate under Code Section 1 which applies to the Participant's taxable income for the applicable taxable year; (b) "Present Value" means the value determined in accordance with Code Section 280G(d)(4); and (c) "Reduced Amount" means the smallest aggregate amount of all payments and benefits under this Plan which (i) is less than the sum of all payments and benefits under this Plan and (ii) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if the aggregate payments and benefits under this Plan were any other amount less than the sum of all payments and benefits to be made under this Plan.

ARTICLE XIX
GENERAL PROVISIONS

19.01 Effect on Employment and Service

Neither the adoption of this Plan, its operation nor any documents describing or referring to this Plan (or any part thereof), shall confer upon any individual or entity any right to continue in the employ or service of the Company or an Affiliate or in any way affect any right and power of the Company or an Affiliate to terminate the employment or service of any individual or entity at any time with or without assigning a reason therefor.

19.02 Unfunded Plan

This Plan, insofar as it provides for Awards, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by Awards under this Plan. Any liability of the Company to any Person with respect to any Award under this Plan

shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

19.03 Rules of Construction

Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

19.04 Tax Withholding and Reporting

Unless an Agreement provides otherwise, each Participant shall be responsible for satisfying in cash or by check (bank check, certified check or personal check), money order or wire transfer any income and employment (including, without limitation, Social Security and Medicare) tax withholding obligations, if applicable, attributable to participation in the Plan and the grant, exercise, vesting or payment of Awards granted hereunder (including the making of a Code Section 83(b) election with respect to an Award). In accordance with procedures that the Committee establishes, the Committee, to the extent applicable law permits, may allow a Participant to pay any such applicable amounts (a) by surrendering (actually or by attestation) shares of Common Stock that the Participant already owns and, if necessary to avoid adverse accounting consequences, has held for at least six (6) months (but only for the minimum required withholding); (b) by a cashless exercise, or surrender of shares of Common Stock already owned, through a broker; (c) by means of a “net exercise” procedure by the surrender of shares of Common Stock to which the Participant is otherwise entitled under the Award; (d) by such other medium of payment as the Committee, in its discretion, shall authorize; or (e) by any combination of the aforementioned methods of payment. The Company shall comply with all such reporting and other requirements relating to the administration of this Plan and the grant, exercise, vesting or payment of any Award hereunder as applicable law requires. Nevertheless, shares of Common Stock that the Company reacquires in connection with any tax withholding will still be deemed issued and will not be available for issuance pursuant to future Awards under the Plan.

19.05 Code Section 83(b) Election

No election under Code Section 83(b) (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under similar laws may be made unless expressly permitted by the terms of the Award or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten (10) days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provisions.

19.06 Reservation of Shares

The Company, during the term of this Plan, shall at all times reserve and keep available such number of shares of Common Stock as shall be sufficient to satisfy the requirements of the Plan. Additionally, the Company, during the term of this Plan, shall use its best efforts to seek to obtain from appropriate regulatory agencies any requisite authorizations needed in order to issue and to sell such number of shares of Common Stock as shall be sufficient to satisfy the requirements of the Plan. However, the inability of the Company to obtain from any such regulatory agency the requisite authorizations the Company's counsel deems to be necessary for the lawful issuance and sale of any shares of Common Stock hereunder, or the inability of the Company to confirm to its satisfaction that any issuance and sale of any shares of Common Stock hereunder will meet applicable legal requirements, shall relieve the Company of any liability in respect to the failure to issue or to sell such shares of Common Stock as to which such requisite authority shall not have been obtained.

19.07 Governing Law

This Plan and all Awards granted hereunder shall be governed by the laws of the State of Delaware, except to the extent federal law applies.

19.08 Other Actions

Nothing in the Plan shall be construed to limit the authority of the Company to exercise its corporate rights and powers, including, by way of illustration and not by way of limitation, the right to grant Options, SARs, Restricted Stock Awards, Restricted Stock Units, Incentive Awards, Other Stock-Based Awards or Dividend Equivalents for proper corporate purposes otherwise than under the Plan to any employee or to any other Person, firm, corporation, association or other entity, or to grant Options, SARs, Restricted Stock Awards, Restricted Stock Units, Incentive Awards, Other Stock-Based Awards or Dividend Equivalents to, or assume such Awards of any Person in connection with, the acquisition, purchase, lease, merger, consolidation, reorganization or otherwise, of all or any part of the business and assets of any Person, firm, corporation, association or other entity.

19.09 Forfeiture Provisions

Notwithstanding any other provisions of the Plan or any Agreement, all rights to any Award that a Participant has will be immediately discontinued and forfeited, and the Company shall not have any further obligation hereunder to the Participant with respect to any Award and the Award will not be exercisable (whether or not previously exercisable) or become vested or payable on and after the time the Participant is discharged from employment or service with the Company or any Affiliate for Cause.

19.10 Repricing of Awards

Notwithstanding any other provisions of this Plan, except for adjustments pursuant to Article XVI or to the extent approved by the Company's stockholders and consistent with the rules of any stock exchange on which the Company's securities are traded, this Plan does not

permit (a) any decrease in the exercise or purchase price or base value of any outstanding Awards, (b) the issuance of any replacement Options, SARs or Other Stock-Based Awards in the nature of purchase rights, which shall be deemed to occur if a Participant agrees to forfeit an existing Option, SAR or Other Stock-Based Award in the nature of purchase rights in exchange for a new Option, SAR or Other Stock-Based Award in the nature of purchase rights with a lower exercise or purchase price or base value, (c) the Company to repurchase underwater or out-of-the-money Options, SARs or Other Stock-Based Awards in the nature of purchase rights, which shall be deemed to be those Options, SARs or Other Stock-Based Awards in the nature of purchase rights with exercise or purchase prices or base values in excess of the current Fair Market Value of the shares of Common Stock underlying the Option, SAR or Other Stock-Based Award in the nature of purchase rights, (d) the issuance of any replacement or substitute Awards or the payment of cash in exchange for, or in substitution of, underwater or out-of-the-money Options, SARs or Other Stock-Based Awards in the nature of purchase rights, (e) the Company to repurchase any Award if the Award has not become exercisable, vested or payable prior to the repurchase or (f) any other action that is treated as a repricing under generally accepted accounting principles.

19.11 Right of Setoff

The Company or an Affiliate may, to the extent permitted by applicable law, deduct from and setoff against any amounts the Company or Affiliate may owe the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company or Affiliate, including but not limited to any amounts owed under the Plan, although the Participant shall remain liable for any part of the Participant's obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff hereunder.

19.12 Fractional Shares

No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether other Awards may be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereof shall be forfeited or otherwise eliminated.

ARTICLE XX
CLAIMS PROCEDURES

20.01 Initial Claim

If a Participant has exercised an Option or SAR or if shares of Restricted Stock have become vested or Restricted Stock Units, Incentive Awards, Other Stock-Based Awards or Dividend Equivalents have become payable, and the Participant has not received the benefits to which the Participant believes he or she is entitled under such Award, then the Participant must submit a written claim for such benefits to the Committee within ninety (90) days of the date the Participant tried to exercise the Option or SAR, the date the Participant contends the Restricted Stock vested or the date the Participant contends the Restricted Stock Units, Incentive Awards,

Other Stock-Based Awards or Dividend Equivalents became payable or the claim will be forever barred.

20.02 Appeal of Claim

If a claim of a Participant is wholly or partially denied, the Participant or his duly authorized representative may appeal the denial of the claim to the Committee. Such appeal must be made at any time within thirty (30) days after the Participant receives written notice from the Company of the denial of the claim. In connection therewith, the Participant or his duly authorized representative may request a review of the denied claim, may review pertinent documents and may submit issues and comments in writing. Upon receipt of an appeal, the Committee shall make a decision with respect to the appeal and, not later than sixty (60) days after receipt of such request for review, shall furnish the Participant with the decision on review in writing, including the specific reasons for the decision written in a manner calculated to be understood by the Participant, as well as specific references to the pertinent provisions of the Plan upon which the decision is based.

20.03 Time to File Suit

The Committee has the discretionary and final authority under the Plan to determine the validity of a claim. Accordingly, any decision the Committee makes on a Participant’s appeal will be administratively final. If a Participant disagrees with the Committee’s final decision, the Participant may sue, but only after the claim on appeal has been denied. Any lawsuit must be filed within ninety (90) days of receipt of the Committee’s final written denial of the Participant’s claim or the claim will be forever barred.

ARTICLE XXI
AMENDMENT

21.01 Amendment of Plan

The Board may amend or terminate this Plan at any time; provided, however, that no amendment to the Plan may adversely impair the rights of a Participant with respect to outstanding Awards without the Participant’s consent. In addition, an amendment will be contingent on approval of the Company’s stockholders, to the extent required by law or any tax or regulatory requirement applicable to the Plan or by the rules of any stock exchange on which the Company’s securities are traded, or if the amendment would (i) increase the benefits accruing to Participants under the Plan, including without limitation, any amendment to the Plan or an Agreement to permit a repricing or decrease in the exercise or purchase price or base value of an Award, (ii) increase the aggregate number of shares of Common Stock that may be issued under the Plan, (iii) modify the requirements as to eligibility for participation in the Plan, (iv) change the performance conditions set forth in Article XV of the Plan or (v) accelerate the time at which an Award may be exercised, become transferable or non-forfeitable or become earned and payable except in connection with a Change in Control or, to the extent permitted by the Committee, in the event of the Participant’s death, disability, retirement, or involuntary termination of employment or service. Additionally, to the extent the Board deems necessary to continue to comply with the performance-based exception to the deduction limits of Code

Section 162(m), the Board will resubmit the material terms of the performance conditions set forth in Article XV to the Company's stockholders for approval no later than the first stockholder meeting that occurs in the fifth (5th) year following the year in which the stockholders previously approved the performance objectives. Notwithstanding any other provision of the Plan, any termination of the Plan shall comply with the requirements of Code Section 409A with regard to any 409A Awards.

21.02 Amendment of Awards

The Committee may amend any outstanding Awards to the extent it deems appropriate; provided, however, that no amendment to an outstanding Award may adversely impair the rights of a Participant without the Participant's consent.

ARTICLE XXII
OMNIBUS SECTION 409A PROVISION

22.01 Intent of Awards

It is intended that Awards that are granted under the Plan shall be exempt from treatment as "deferred compensation" subject to Code Section 409A unless otherwise specified by the Committee. Towards that end, all Awards under the Plan are intended to contain such terms as will qualify the Awards for an exemption from Code Section 409A unless otherwise specified by the Committee. The terms of the Plan and all Awards granted hereunder shall be construed consistent with the foregoing intent. Notwithstanding any other provision hereof, the Committee may amend any outstanding Award without Participant's consent if, as determined by the Committee, in its sole discretion, such amendment is required either to (a) confirm exemption under Code Section 409A, (b) comply with Code Section 409A or (c) prevent the Participant from being subject to any tax or penalty under Code Section 409A. Notwithstanding the foregoing, however, neither the Company nor any of its Affiliates nor the Committee shall be liable to a Participant or any other Person if an Award that is subject to Code Section 409A or the Participant or any other Person is otherwise subject to any additional tax, interest or penalty under Code Section 409A. Each Participant is solely responsible for the payment of any tax liability (including any taxes, penalties and interest that may arise under Code Section 409A) that may result from an Award.

22.02 409A Awards

The Committee may grant Awards under the Plan that are intended to be 409A Awards that comply with Code Section 409A. The terms of such 409A Award, including any authority by the Company and the rights of the Participant with respect to such 409A Award, will be subject to such rules and limitations and shall be interpreted in a manner as to comply with Code Section 409A.

22.03 Election Requirements

If a Participant is permitted to elect to defer an Award or any payment under an Award, such election shall be made in accordance with the requirements of Code Section 409A. Each

initial deferral election (an “Initial Deferral Election”) must be received by the Committee prior to the following dates or will have no effect whatsoever:

(a) Except as otherwise provided below, the December 31 immediately preceding the year in which the compensation is earned;

(b) With respect to any annual or long-term incentive pay which qualifies as “performance-based compensation” within the meaning of Code Section 409A, by the date six (6) months prior to the end of the performance measurement period applicable to such incentive pay provided such additional requirements set forth in Code Section 409A are met;

(c) With respect to “fiscal year compensation” as defined under Code Section 409A, by the last day of the Company’s fiscal year immediately preceding the year in which the fiscal year compensation is earned; or

(d) With respect to mid-year Awards or other legally binding rights to a payment of compensation in a subsequent year that is subject to a forfeiture condition requiring the Participant’s continued service for a period of at least twelve (12) months, on or before the thirtieth (30th) day following the grant of such Award, provided that the election is made at least twelve (12) months in advance of the earliest date at which the forfeiture condition could lapse.

The Committee may, in its sole discretion, permit Participants to submit additional deferral elections in order to delay, but not to accelerate, a payment, or to change the form of payment of an amount of deferred compensation (a “Subsequent Deferral Election”), if, and only if, the following conditions are satisfied: (a) the Subsequent Deferral Election must not take effect until twelve (12) months after the date on which it is made, (b) in the case of a payment other than a payment attributable to the Participant’s death, disability or an unforeseeable emergency (all within the meaning of Code Section 409A) the Subsequent Deferral Election further defers the payment for a period of not less than five (5) years from the date such payment would otherwise have been made and (c) the Subsequent Deferral Election is received by the Committee at least twelve (12) months prior to the date the payment would otherwise have been made. In addition, Participants may be further permitted to revise the form of payment they have elected, or the number of installments elected, provided that such revisions comply with the requirements of a Subsequent Deferral Election.

22.04 Time of Payment

The time and form of payment of a 409A Award shall be as set forth in an applicable Agreement. A 409A Award may only be paid in connection with a separation from service, a fixed time, death, disability, Change in Control or an unforeseeable emergency within the meaning of Code Section 409A. The time of distribution of the 409A Award must be fixed by reference to the specified payment event. For purposes of Code Section 409A, each installment payment will be treated as the entitlement to a single payment.

22.05 Acceleration or Deferral

The Company shall have no authority to accelerate or delay or change the form of any distributions relating to 409A Awards except as permitted under Code Section 409A.

22.06 Distribution Requirements

Any distribution of a 409A Award triggered by a Participant's termination of employment shall be made only at the time that the Participant has had a separation from service within the meaning of Code Section 409A. A separation from service shall occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Participant will perform after that date (whether as an employee or independent contractor of the Company or an Affiliate) will permanently decrease to less than fifty percent (50%) of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. A Participant shall be considered to have continued employment and to not have a separation from service while on a leave of absence if the leave does not exceed six (6) consecutive months (twenty-nine (29) months for a disability leave of absence) or, if longer, so long as the Participant retains a right to reemployment with the Company or Affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of Participant's position of employment or a substantially similar position of employment. Continued services solely as a director of the Company or an Affiliate shall not prevent a separation from service from occurring by an employee as permitted by Code Section 409A.

22.07 Key Employee Rule

Notwithstanding any other provision of the Plan, any distribution of a 409A Award that would be made within six (6) months following a separation from service of a "specified employee" as defined under Code Section 409A and as determined under procedures adopted by the Board or its delegate shall instead occur on the first day of the seventh month following the separation from service (or upon the Participant's death, if earlier) to the extent required by Code Section 409A. In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six (6) month delay period.

22.08 Distributions Upon Vesting

In the case of any Award providing for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or the applicable Agreement, the distribution shall be made not later than two and one-half (2½) months after the calendar year in which the risk of forfeiture lapsed.

22.09 Scope and Application of this Provision

For purposes of this Article XXII, references to a term or event (including any authority or right of the Company or a Participant) being “permitted” under Code Section 409A means that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of shares of Common Stock or other Awards or to be liable for payment of interest or a tax penalty under Code Section 409A.

ARTICLE XXIII
EFFECTIVE DATE OF PLAN

The Plan is effective on February 4, 2010, the date of adoption by the Board, contingent, however, on approval of the Plan by the Company’s stockholders within twelve (12) months of such date. Awards, other than Restricted Stock, may be granted under this Plan as of the effective date, provided that no Award shall be effective, exercisable, vested, earned or payable unless the Company’s stockholders approve the Plan within twelve (12) months of the Board’s adoption of the Plan. Restricted Stock may only be granted after the Company’s stockholders approve the Plan.

ARTICLE XXIV
DURATION OF PLAN

No Award may be granted under this Plan after February 3, 2020 (ten (10) years following the effective date of the Plan). Awards granted before that date shall remain valid in accordance with their terms.

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 second fiscal quarter of the fiscal year ended September 30, 2010 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: May 3, 2010

/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 second fiscal quarter of the fiscal year ended September 30, 2010 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: May 3, 2010

/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 March 31, 2010, 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: May 3, 2010

/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 March 31, 2010, 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: May 3, 2010

/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.