BEAZER HOMES USA INC
Form 10-Q
August 01, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2013
or

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

Commission File Number 001-12822

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

DELAWARE (State or other jurisdiction of incorporation or organization)	58-2086934 (I.R.S. employer Identification no.)
1000 Abernathy Road, Suite 260, Atlanta, Georgia (Address of principal executive offices)	30328 (Zip Code)

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

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 x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

Class	Outstanding at July 31, 2013
Common Stock, $0.001 par value	25,088,909

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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,” “like “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, 2012. These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the operations, performance, development and results of our business, but instead are the risks that we currently perceive as potentially being material. Such factors may include:

- economic changes nationally or in local markets, including changes in consumer confidence, changes in the level of housing starts, declines in employment levels, inflation and changes in the demand and prices of new homes and resale homes in the market;
- a slower economic rebound than anticipated, coupled with persistently high unemployment and additional foreclosures;
- 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;
- a substantial increase in mortgage interest rates, increased disruption in the availability of mortgage financing or a change in tax laws regarding the deductibility of mortgage interest;
- 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 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 consent orders with governmental authorities and other settlement agreements;
- our cost of and ability to access capital and otherwise meet our ongoing liquidity needs including the impact of any downgrades of our credit ratings or reductions in our tangible net worth or liquidity levels;
- our ability to comply with covenants in our debt agreements or satisfy such obligations through repayment or refinancing;
- estimates related to the potential recoverability of our deferred tax assets;
- 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;
- additional asset impairment charges or writedowns;
- the impact of construction defect and home warranty claims;
- 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;
- the performance of our unconsolidated entities and our unconsolidated entity partners;

- potential exposure related to additional repurchase claims on mortgages and loans originated by Beazer Mortgage Corporation;
- 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.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2013	September 30, 2012
ASSETS		
Cash and cash equivalents	$298,346	$487,795
Restricted cash	246,013	253,260
Accounts receivable (net of allowance of $2,045 and $2,235, respectively)	26,066	24,599
Income tax receivable	3,080	6,372
Inventory		
Owned inventory	1,265,112	1,099,132
Land not owned under option agreements	7,880	12,420
Total inventory	1,272,992	1,111,552
Investments in unconsolidated entities	42,477	42,078
Deferred tax assets, net	7,076	6,848
Property, plant and equipment, net	16,734	18,974
Other assets	30,133	30,740
Total assets	$1,942,917	$1,982,218
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$79,625	$69,268
Other liabilities	126,746	147,718
Obligations related to land not owned under option agreements	2,904	4,787
Total debt (net of discounts of $2,341 and $3,082, respectively)	1,505,656	1,498,198
Total liabilities	1,714,931	1,719,971
Stockholders' equity:		
Preferred stock (par value $.01 per share, 5,000,000 shares authorized, no shares issued)	—	—
Common stock (par value $0.001 per share, 63,000,000 shares authorized, 25,090,653 and 24,601,830 issued and outstanding, respectively)	25	25
Paid-in capital	845,549	833,994
Accumulated deficit	(617,588)	(571,772)
Total stockholders' equity	227,986	262,247
Total liabilities and stockholders' equity	$1,942,917	$1,982,218

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Total revenue	$314,439	$254,555	$849,243	$634,746
Home construction and land sales expenses	260,324	227,505	712,930	560,564
Inventory impairments and option contract abandonments	—	5,819	2,229	10,492
Gross profit	54,115	21,231	134,084	63,690
Commissions	13,078	10,776	35,406	27,522
General and administrative expenses	29,612	27,867	84,735	82,380
Depreciation and amortization	2,953	3,743	8,761	9,336
Operating income (loss)	8,472	(21,155)	5,182	(55,548)
Equity in (loss) income of unconsolidated entities	(310)	48	(206)	(25)
Loss on extinguishment of debt	—	—	(3,638)	(2,747)
Other expense, net	(14,036)	(16,804)	(45,858)	(53,342)
Loss from continuing operations before income taxes	(5,874)	(37,911)	(44,520)	(111,662)
(Benefit from) provision for income taxes	(432)	145	(1,028)	(36,438)
Loss from continuing operations	(5,442)	(38,056)	(43,492)	(75,224)
Loss from discontinued operations, net of tax	(346)	(1,828)	(2,324)	(3,869)
Net loss	$(5,788)	$(39,884)	$(45,816)	$(79,093)
Weighted average number of shares:				
Basic and Diluted	24,770	19,810	24,571	16,777
Basic and Diluted loss per share:				
Continuing Operations	$(0.22)	$(1.92)	$(1.77)	$(4.48)
Discontinued Operations	$(0.01)	$(0.09)	$(0.09)	$(0.23)
Total	$(0.23)	$(2.01)	$(1.86)	$(4.71)

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine Months Ended June 30, 2013	2012
Cash flows from operating activities:		
Net loss	$(45,816)	$(79,093)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,761	9,371
Stock-based compensation expense	2,275	3,211
Inventory impairments and option contract abandonments	2,246	11,071
Deferred and other income tax benefit	(485)	(36,378)
Provision for doubtful accounts	(190)	(1,678)
Equity in loss of unconsolidated entities	207	62
Cash distributions of income from unconsolidated entities	336	—
Loss on extinguishment of debt	1,517	2,747
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,277)	9,381
Decrease in income tax receivable	3,292	2,425
(Increase) decrease in inventory	(159,753)	4,091
Decrease in other assets	559	5,442
Increase in trade accounts payable	10,357	778
Decrease in other liabilities	(20,274)	(37,813)
Other changes	51	(29)
Net cash used in operating activities	(198,194)	(106,412)
Cash flows from investing activities:		
Capital expenditures	(6,572)	(15,117)
Investments in unconsolidated entities	(1,374)	(2,075)
Return of capital from unconsolidated entities	432	440
Increases in restricted cash	(1,788)	(1,679)
Decreases in restricted cash	9,035	6,955
Net cash used in investing activities	(267)	(11,476)
Cash flows from financing activities:		
Repayment of debt	(185,431)	(3,369)
Proceeds from issuance of new debt	200,000	—
Debt issuance costs	(4,935)	(274)
Equity issuance costs	—	(1,296)
Settlement of unconsolidated entity debt obligation	(500)	(15,862)
Payments for other financing activities	(122)	(98)
Net cash provided by (used in) financing activities	9,012	(20,899)
Decrease in cash and cash equivalents	(189,449)	(138,787)
Cash and cash equivalents at beginning of period	487,795	370,403
Cash and cash equivalents at end of period	$298,346	$231,616

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, Beazer 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 primarily of normal recurring accruals) necessary for a fair presentation have been included in the accompanying financial statements. The results of our consolidated operations presented herein for the three and nine months ended June 30, 2013 are not necessarily indicative of the results to be expected for the full year due to seasonal variations in operations and other items. 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 Beazer Homes' Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (the 2012 Annual Report).
Over the past few years, we have discontinued homebuilding operations in certain of our markets. Results from our title services 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 14 for further discussion of our Discontinued Operations). In October 2012, the Company announced the effectiveness of a one-for-five reverse stock split. As applicable, all historic share and per share information, including earnings per share, in this Form 10-Q have been retroactively adjusted to reflect this reverse stock split. Certain items in prior period financial statements have been revised to conform to the current presentation. Our net loss is equivalent to our comprehensive loss so we have not presented a separate statement of comprehensive loss. We evaluated events that occurred after the balance sheet date but before the financial statements were issued or were available to be issued for accounting treatment and disclosure.
Inventory Valuation — We assess our inventory assets no less than quarterly for recoverability in accordance with the policies as described in Notes 1 and 4 to the consolidated financial statements in our 2012 Annual Report. 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. 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. We record assets held for sale at the lower of the carrying value or fair value less costs to sell.
Other Liabilities. Other liabilities include the following:

(In thousands)	June 30, 2013	September 30, 2012
Income tax liabilities	$22,029	$22,225
Accrued warranty expenses	13,445	15,477
Accrued interest	16,534	28,673
Accrued and deferred compensation	20,489	24,612
Customer deposits	13,724	8,830
Other	40,525	47,901
Total	$126,746	$147,718

Recent Accounting Pronouncements. In May 2011, the Financial Accounting Standard Board (FASB) issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. ASU 2011-04 clarifies some existing concepts, eliminates wording differences between GAAP and International Financial Reporting Standards (IFRS), and in some limited cases, changes some principles to achieve convergence between GAAP and IFRS. ASU 2011-04 results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. The adoption of ASU 2011-04 effective with our second quarter of fiscal 2012 did not have a material effect on our operating results or financial position.

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(2) Supplemental Cash Flow Information

(In thousands)	Nine Months Ended June 30, 2013	2012
Supplemental disclosure of non-cash activity:		
(Decrease) increase in obligations related to land not owned under option agreements	$(1,883)	$640
Decrease in future land purchase rights	—	(11,651)
Contribution of future land purchase rights to unconsolidated entities	—	11,651
Decrease in debt related to conversion of Mandatory Convertible Subordinated Notes and Tangible Equity Units for common stock	(9,402)	(55,308)
Contribution of pre-owned net assets for investment in unconsolidated entity	—	(19,670)
Non-cash land acquisitions	—	7,813
Supplemental disclosure of cash activity:		
Interest payments	92,742	109,691
Income tax payments	133	751
Tax refunds received	3,925	2,565

(3) Investments in Unconsolidated Entities

As of June 30, 2013, we participated in certain land development joint ventures and other unconsolidated entities in which Beazer Homes had less than a controlling interest. The following table presents our investment in our unconsolidated entities, the total equity and outstanding borrowings of these unconsolidated entities, and our guarantees of these borrowings, as of June 30, 2013 and September 30, 2012:

(In thousands)	June 30, 2013	September 30, 2012
Beazer's investment in unconsolidated entities	$42,477	$42,078
Total equity of unconsolidated entity	442,291	383,482
Total outstanding borrowings of unconsolidated entities	66,632	64,912
Beazer's estimate of its maximum exposure to our repayment guarantees	—	696

For the three and nine months ended June 30, 2013 and 2012, our (loss) income from unconsolidated entity activities, the impairments of our investments in certain of our unconsolidated entities, and the overall equity in (loss) income of unconsolidated entities is as follows:

(In thousands)	Three Months Ended June 30, 2013	2012	Nine Months Ended June 30, 2013	2012
Continuing operations:				
(Loss) income from unconsolidated entity activity	$(129)	$48	$(25)	$(25)
Impairment of unconsolidated entity investment	(181)	—	(181)	—
Equity in (loss) income of unconsolidated entities - continuing operations	$(310)	$48	$(206)	$(25)

South Edge/Inspirada

The Company holds a minority (less than 10%) interest in Inspirada Builders LLC which was formed in connection with the bankruptcy and subsequent plan of reorganization of the South Edge joint venture. During the quarter ended December 31, 2011, we paid $15.9 million in connection with this plan of reorganization. Our right to acquire land in Las Vegas, Nevada from Inspirada is a component of our investment. As such, we have recorded an investment in Inspirada, which includes the $11.7 million we previously estimated for our future right to purchase land and our cash contributions to the joint venture, primarily for organization costs. In addition to our initial payment, we, as a member of the Inspirada joint venture, will have obligations for a portion of future infrastructure and other development costs. At this time, these costs cannot be quantified due to, among other things, uncertainty over the future development configuration of the project and the related costs, market conditions, uncertainty over the remaining infrastructure costs and potential recoveries from previously filed bankruptcies of certain other South Edge members. In addition, there are uncertainties with respect to the location and density of the land we will receive as a result of our investment in Inspirada, the products we will build on such land and the estimated selling prices of such homes. Because there are uncertainties with respect to development costs, in future periods, we may be required to record adjustments to the carrying value of this Inspirada investment as better information becomes available.

Pre-Owned Rental Homes

Effective May 3, 2012, we contributed $0.3 million in cash and our Pre-Owned Homes business at cost, including 190 homes in Arizona and Nevada, of which 187 were leased, for an initial 23.5% equity method investment in an unconsolidated real estate investment trust (the REIT). After subsequent offerings by the REIT and as of June 30, 2013, we held a 15.14% investment in the REIT. The Company previously received grants of restricted units in the REIT, one-third of which vested prior to June 30, 2013. Our remaining unvested restricted units will vest as follows: 25% in May 2014, 25% in May 2015 and 50% upon the REIT's achievement of certain performance criteria. Vesting of the restricted units will increase our investment in the REIT to approximately 18% (assuming no other share issuances by the REIT).

Subsequent to the initial REIT offering, we entered into a transition services agreement with the REIT under which we agreed to provide interim Chief Financial Officer (CFO) and various back office and administrative support on an as needed basis. During the quarter ended June 30, 2013, the REIT hired a CFO. In the future, we may continue to provide services including treasury operations, cash management, accounting and financial reporting support, legal services, human resources support, environmental and safety services, and tax support on an as needed basis. Fees received related to the transition services agreement billed at our cost and recognized as other income were not material to our consolidated financial results.

Guarantees

Our land development joint ventures typically obtain secured acquisition, development and construction financing. Generally, Beazer and our land development joint venture partners provide varying levels of guarantees of debt and other obligations for these unconsolidated entities.

As of September 30, 2012, we had recorded $0.7 million in Other Liabilities related to one repayment guarantee. During the nine months ended June 30, 2013, we entered into a guarantee release agreement and paid $0.5 million to settle our liability and recognized the remaining $0.2 million as other income.

We and our joint venture partners generally provide unsecured environmental indemnities to land development joint venture project lenders. In each case, we have performed due diligence on potential environmental risks. These indemnities obligate us to reimburse the project lenders for claims related to environmental matters for which they are held responsible. During the three and nine months ended June 30, 2013 and 2012, we were not required to make any payments related to environmental indemnities.

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

(4) Inventory

(In thousands)	June 30, 2013	September 30, 2012
Homes under construction	$324,619	$251,828
Development projects in progress	498,363	391,019
Land held for future development	341,995	367,102
Land held for sale	10,648	10,149
Capitalized interest	50,019	38,190

Model homes	39,468	40,844
Total owned inventory	$1,265,112	$1,099,132

Homes under construction includes homes finished and ready for delivery and homes in various stages of construction. We had 85 ($20.9 million) and 174 ($39.7 million) substantially completed homes that were not subject to a sales contract (spec homes

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at June 30, 2013 and September 30, 2012, 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 on land held for future development are expensed as incurred. Land held for sale in Unallocated and Other includes land held for sale in the markets we have decided to exit including Jacksonville, Florida, Charlotte, North Carolina and Detroit, Michigan. Total owned inventory, by reportable segment, is set forth in the table below:

(In thousands)	Projects in Progress	Held for Future Development	Land Held for Sale	Total Owned Inventory
June 30, 2013				
West Segment	$335,239	$292,881	$3,639	$631,759
East Segment	325,765	25,493	2,195	353,453
Southeast Segment	173,784	23,621	2,096	199,501
Unallocated and Other	77,681	—	2,718	80,399
Total	$912,469	$341,995	$10,648	$1,265,112
September 30, 2012				
West Segment	$261,239	$318,351	$2,553	$582,143
East Segment	279,954	25,130	3,204	308,288
Southeast Segment	118,853	23,621	1,675	144,149
Unallocated and Other	61,835	—	2,717	64,552
Total	$721,881	$367,102	$10,149	$1,099,132

Inventory Impairments. When conducting our community level review for the recoverability of our homebuilding inventories held for development, we establish a quarterly “watch list” of communities with more than 10 homes remaining that carry profit margins in backlog and in our forecast that are below a minimum threshold of profitability. Assets on the quarterly watch list are subject to substantial additional financial and operational analyses and review that consider the competitive environment and other factors contributing to profit margins below our threshold. For communities where the current competitive and market dynamics indicate that these factors may be other than temporary, which may call into question the recoverability of our investment, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analyses and a quantitative analysis reflecting market and asset specific information.

As of June 30, 2013, there were no communities on our quarterly watch list and therefore we did not perform any impairment analyses for the quarter ended June 30, 2013.

In our impairment analyses for the quarter ended June 30, 2012, we assumed limited market improvements in some communities beginning in fiscal 2014 and continuing improvement in these communities in subsequent years. For any communities scheduled to close out in fiscal 2013, we did not assume any market improvements. The discount rate used may be different for each community and ranged from 14.6% to 16.3% for the quarter ended June 30, 2012. The following tables represent the results, by reportable segment, of our community level review of the recoverability of our inventory assets held for development as of June 30, 2012. We have elected to aggregate our disclosure at the reportable segment level because we believe this level of disclosure is most meaningful to the readers of our financial statements. The aggregate undiscounted cash flow fair value as a percentage of book value for the communities represented below is consistent with our expectations given our “watch list” methodology.

($ in thousands)		Undiscounted Cash Flow Analyses Prepared		
Segment	# of Communities on Watch List	# of Communities	Pre-analysis Book Value (BV)	Aggregate Undiscounted Cash Flow as a % of BV

Quarter Ended June 30, 2012					
West	5	1	$6,196	81.3	%
East	4	1	7,144	57.1	%
Southeast	3	1	3,087	79.0	%
Unallocated	—	—	1,228	n/a	
Total	12	3	$17,655	72.4	%

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There were no impairments recorded during the three and nine months ended June 30, 2013. The table below summarizes the results of our discounted cash flow analysis for the three and nine months ended June 30, 2012. The impairment charges below include impairments taken as a result of these discounted cash flow analyses and impairment charges recorded for individual homes sold and in backlog with net contribution margins below a minimum threshold of profitability in communities that were not otherwise impaired through our discounted cash flow analyses. The estimated fair value of the impaired inventory is determined immediately after a community's impairment.

($ in thousands)	Communities Impaired As a Result of Discounted Cash Flow Analyses Prepared							
Segment	# of Communities Impaired	# of Lots Impaired	Impairment Charge	Estimated Fair Value of Impaired Inventory at Period End	# of Communities Impaired	# of Lots Impaired	Impairment Charge	Estimated Fair Value of Impaired Inventory at Period End
Quarter Ended June 30, 2012					Nine Months Ended June 30, 2012			
West	1	65	$ 1,590	$ 4,680	2	116	$ 3,788	$ 11,058
East	1	68	3,122	4,050	2	93	3,809	7,342
Southeast	1	37	630	2,457	1	37	794	2,457
Unallocated	—	—	389	—	—	—	473	—
Continuing Operations	3	170	$ 5,731	$ 11,187	5	246	8,864	20,857
Discontinued Operations	—	—	42	—	—	—	60	—
Total	3	170	$ 5,773	$ 11,187	5	246	$ 8,924	$ 20,857

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. During the quarter ended June 30, 2012, 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 in those specific submarkets for the product and locations of these communities. 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 based on current market conditions and management's assumptions relative to future results led to impairments in three communities during the quarter ended June 30, 2012. 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 markets deteriorate.

The impairments on land held for sale generally represent further write downs of these properties to net realizable value, less estimated costs to sell and are based on current market conditions and our review of recent comparable transactions at the applicable period end. For the nine months ended June 30, 2013, the land held for sale impairment in the Southeast Segment related to our decision to reposition one community in South Carolina to address consumer demand, including the decision to sell a portion of the lots in this community. 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 deteriorate.

Also, we have determined the proper course of action with respect to a number of communities within each homebuilding segment was to not exercise certain options and to write-off the deposits securing the option takedowns and pre-acquisition costs, as applicable. 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. Abandonment charges relate to our decision to abandon or not exercise certain option contracts that are not projected to produce adequate results or no longer fit in our long-term strategic plan.

The following table sets forth, by reportable homebuilding segment, the inventory impairments and lot option abandonment charges recorded for the three and nine months ended June 30, 2013 and 2012, as applicable:

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(In thousands)	Three Months Ended June 30, 2013	2012	Nine Months Ended June 30, 2013	2012
Development projects and homes in process (Held for Development)				
West	$—	$1,590	$46	$3,788
East	—	3,122	13	3,809
Southeast	—	630	—	794
Unallocated	—	389	—	473
Subtotal	$—	$5,731	$59	$8,864
Land Held for Sale				
West	$—	$—	$—	$—
East	—	—	—	—
Southeast	—	—	1,778	208
Subtotal	$—	$—	$1,778	$208
Lot Option Abandonments				
West	$—	$19	$104	$191
East	—	10	20	574
Southeast	—	59	268	653
Unallocated	—	—	—	2
Subtotal	$—	$88	$392	$1,420
Continuing Operations	$—	$5,819	$2,229	$10,492
Discontinued Operations				
Held for Development	$—	$42	$—	$60
Land Held for Sale	—	503	17	503
Lot Option Abandonments	—	—	—	16
Subtotal	$—	$545	$17	$579
Total Company	$—	$6,364	$2,246	$11,071

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

For the VIEs in which we are the primary beneficiary, we have consolidated the VIE and reflected such assets and liabilities as land not owned under option agreements in our balance sheets. For VIEs we were required to consolidate, we recorded the remaining contractual purchase price under the applicable lot option agreement to land not owned under option agreements with an offsetting increase to obligations related to land not owned under option agreements. Also, to reflect the purchase price of this inventory consolidated, we present the related option deposits as land not owned under option agreement in the accompanying unaudited condensed consolidated balance sheets. Consolidation of these VIEs has no impact on the Company's results of operations or cash flows.

The following provides a summary of our interests in lot option agreements as of June 30, 2013 and September 30, 2012:

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(In thousands)	Deposits & Non-refundable Preacquisition Costs Incurred	Remaining Obligation	Land Not Owned Under Option Agreements
As of June 30, 2013			
Consolidated VIEs	$4,900	$2,649	$7,549
Other consolidated lot option agreements (a)	76	255	331
Unconsolidated lot option agreements	25,323	281,739	—
Total lot option agreements	$30,299	$284,643	$7,880
As of September 30, 2012			
Consolidated VIEs	$7,203	$3,346	$10,549
Other consolidated lot option agreements (a)	430	1,441	1,871
Unconsolidated lot option agreements	17,290	193,711	—
Total lot option agreements	$24,923	$198,498	$12,420

(a) Represents lot option agreements with non-VIE entities that we have deemed to be "financing arrangements" pursuant to ASC 470-40, Product Financing Arrangements.

(5) Interest
Our ability to capitalize all interest incurred during the three and nine months ended June 30, 2013 and 2012 has been limited by our inventory eligible for capitalization. The following table sets forth certain information regarding interest:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Capitalized interest in inventory, beginning of period	$45,501	$47,242	$38,190	$45,973
Interest incurred	28,766	31,235	86,361	95,950
Capitalized interest impaired	—	(222)	—	(275)
Interest expense not qualified for capitalization and included as other expense	(14,252)	(17,233)	(46,709)	(55,147)
Capitalized interest amortized to house construction and land sales expenses	(9,996)	(15,649)	(27,823)	(41,128)
Capitalized interest in inventory, end of period	$50,019	$45,373	$50,019	$45,373

(6) Earnings Per Share

In computing diluted loss per share for the three and nine ended June 30, 2013 and 2012, all common stock equivalents were excluded from the computation of diluted loss per share as a result of their anti-dilutive effect. For the quarter ended June 30, 2013, these excluded common stock equivalents included options/stock-settled appreciation rights (SSARs) to purchase 0.6 million shares of common stock and 8.1 million shares issuable upon the conversion of our Tangible Equity Unit (TEU) prepaid stock purchase contracts (based on the maximum potential shares upon conversion).

During the nine months ended June 30, 2013, our stockholders approved the Company's proposal to amend our Amended and Restated Certificate of Incorporation to decrease the authorized number of shares of our common stock from 100 million to 63 million. Such decrease is reflected on our unaudited condensed consolidated balance sheet.

During the quarter ended March 31, 2012, we exchanged 2.2 million shares of our common stock for $48.1 million of our Mandatory Convertible Subordinated Notes and 2.8 million shares of our common stock for 2.8 million TEUs comprised of prepaid stock purchase contracts and senior amortizing notes. During the quarter ended September 30, 2012, we issued an additional 4.6 million TEUs. As of June 30, 2013, there were 4.8 million TEUs outstanding (including $18.1 million of amortizing notes). In January 2013, we issued 0.4 million shares of our common stock upon conversion of the Mandatory Convertible Subordinated Notes. If the remaining TEU instruments were converted at the maximum settlement factor under their respective agreements, we would be required to issue approximately 8.1 million shares of common stock to the instrument holders upon conversion. See Note 7 below for additional information related to the March 2012 conversion transactions and July 2012 TEU issuance.

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(7) Borrowings

At June 30, 2013 and September 30, 2012 we had the following long-term debt, net of discounts:

(In thousands)	Maturity Date	June 30, 2013	September 30, 2012
6 7/8% Senior Notes	July 2015	$—	$172,454
8 1/8% Senior Notes	June 2016	172,879	172,879
6 5/8% Senior Secured Notes	April 2018	300,000	300,000
9 1/8% Senior Notes	June 2018	298,000	300,000
9 1/8% Senior Notes	May 2019	235,000	235,000
7 1/4% Senior Notes	February 2023	200,000	—
TEU Senior Amortizing Notes	August 2013	81	316
TEU Senior Amortizing Notes	August 2015	18,028	23,500
Unamortized debt discounts		(2,341)	(3,082)
Total Senior Notes, net		1,221,647	1,201,067
Mandatory Convertible Subordinated Notes	January 2013	—	9,402
Junior subordinated notes	July 2036	53,153	51,603
Cash Secured Loan	November 2017	222,368	227,368
Other secured notes payable	Various Dates	8,488	8,758
Total debt, net		$1,505,656	$1,498,198

Secured Revolving Credit Facility — In September 2012, we amended and expanded our Secured Revolving Credit Facility from $22 million to $150 million. The three-year Amended Secured Revolving Credit Facility provides for future working capital and letter of credit needs collateralized by substantially all of the Company's personal property (excluding cash and cash equivalents) and real property. This facility is subject to various financial, collateral-based and negative covenants with which we are required to comply. As of June 30, 2013, we were in compliance with all such covenants and had $150 million of available borrowings under the Secured Revolving Credit Facility. We have elected to cash collateralize all letters of credit; however, as of June 30, 2013, we have also pledged approximately $1 billion of inventory assets to our Secured 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 June 30, 2013 or September 30, 2012.

We have entered into stand-alone, cash-secured letter of credit agreements with banks to maintain our pre-existing letters of credit and to provide for the issuance of new letters of credit. The letter of credit arrangements combined with our Secured Revolving Credit Facility provide a total letter of credit capacity of approximately $220.0 million. As of June 30, 2013 and September 30, 2012, we have letters of credit outstanding of $22.7 million and $24.7 million, respectively, which are secured by cash collateral in restricted accounts. The Company may enter into additional arrangements to provide additional letter of credit capacity.

Senior Notes — The majority of our Senior Notes are unsecured or secured obligations ranking pari passu with all other existing and future senior indebtedness. Substantially all of our significant subsidiaries are full and unconditional guarantors of the Senior Notes and 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 Company's Senior Notes are subject to indentures containing certain restrictive covenants which, among other things, restrict our ability to pay dividends, repurchase our common stock, incur additional indebtedness and to make certain investments. Specifically, all of our Senior Notes contain covenants that restrict our ability to incur additional indebtedness unless it is refinancing indebtedness or non-recourse indebtedness. The incurrence of refinancing indebtedness and non-recourse indebtedness, as defined in the applicable indentures, are exempted from the covenant test. As of June 30, 2013, we were not able to incur additional indebtedness, except refinancing or non-recourse indebtedness. Compliance with our Senior Note covenants does not significantly impact our operations. We were in compliance with the covenants contained in all of our Senior Notes as of June 30, 2013.

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Our Senior Notes due 2016 (the 2016 Notes) contain the most restrictive covenants, including the consolidated tangible net worth covenant, which states that should consolidated tangible net worth fall below $85 million for two consecutive quarters, the Company is required to make an offer to purchase 10% of the 2016 Notes at par. If triggered and fully subscribed, this could result in our having to purchase $27.5 million of the 2016 Notes, which may be reduced by certain 2016 Note repurchases (potentially at less than par) made in the open market after the triggering date. As of June 30, 2013 our consolidated tangible net worth was $202.4 million, well in excess of the minimum covenant requirement.

In February 2013, we issued and sold $200 million aggregate principal amount of 7.25% Senior Notes due 2023 (the 2023 Notes) at par (before underwriting and other issuance costs) through a private placement to qualified institutional buyers. Interest on the 2023 Notes is payable semi-annually in cash in arrears, beginning August 1, 2013. The 2023 Notes will mature on February 1, 2023.

The 2023 Notes were issued under an Indenture, dated as February 1, 2013 (the Indenture) that contains covenants which, subject to certain exceptions, limit the ability of the Company and its restricted subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness, including secured indebtedness, and make certain types of restricted payments. The Indenture contains customary events of default. Upon the occurrence of an event of default, payments on the 2023 Notes may be accelerated and become immediately due and payable. Upon a change of control (as defined in the Indenture), the Indenture requires us to make an offer to repurchase the 2023 Notes at 101% of their principal amount, plus accrued and unpaid interest.

We may redeem the 2023 Notes at any time prior to August 1, 2018, in whole or in part, at a redemption price equal to 100% of the principal amount, plus a customary make-whole premium, plus accrued and unpaid interest to the redemption date. In addition, at any time on or prior to August 1, 2016, we may redeem up to 35% of the aggregate principal amount of 2023 Notes with the proceeds of certain equity offerings at a redemption price equal to 107.250% of the principal amount of the 2023 Notes plus accrued and unpaid interest, if any, to the date fixed for redemption; provided, that at least 65% of the aggregate principal amount of the 2023 Notes originally issued under the Indenture remain outstanding after such redemption. On or after August 1, 2018, we may redeem some or all of the 2023 Notes at redemption prices set forth in the Indenture. These percentages range from 100.000% to 103.625%.

The 2023 Notes rank equally in right of payment with all of our existing and future senior unsecured obligations, senior to all of the Company's existing and future subordinated indebtedness and effectively subordinated to the Company's existing and future secured indebtedness, including indebtedness under our revolving credit facility and our 6.625% Senior Secured Notes due 2018, to the extent of the value of the assets securing such indebtedness. The 2023 Notes and related guarantees are structurally subordinated to all indebtedness and other liabilities of all of the Company's subsidiaries that do not guarantee the 2023 Notes. The 2023 Notes are fully and unconditionally guaranteed jointly and severally on a senior basis by the Company's wholly-owned subsidiaries party to the Indenture. In July 2013, we called for the exchange of the 2023 Notes for notes that will be freely transferable and registered under the Securities Act of 1933.

During the nine months ended June 30, 2013, we used a portion of the net cash proceeds from the 2023 Notes offering to redeem all of our outstanding 6.875% Senior Notes due 2015 (the 2015 Notes). The 2015 Notes were redeemed at 101.146% of the principal amount, plus accrued and unpaid interest. During the nine months ended June 30, 2013, we also repurchased $2 million of our outstanding 9.125% Senior Notes due 2018 in open market transactions. These transactions resulted in a loss on debt extinguishment of $3.6 million, net of unamortized discounts and debt issuance costs. All Senior Notes redeemed/repurchased by the Company were canceled.

Senior Notes: Tangible Equity Units — In July 2012, we issued 4.6 million 7.5% TEUs (the 2012 TEUs), which were comprised of prepaid stock purchase contracts (PSPs) and senior amortizing notes. As the two components of the TEUs are legally separate and detachable, we have accounted for the two components as separate items for financial reporting purposes and valued them based on their relative fair value at the date of issuance. The amortizing notes are unsecured senior obligations and rank equally with all of our other unsecured indebtedness. Outstanding notes pay quarterly installments of principal and interest through maturity. The PSPs were originally accounted for as equity (additional paid in capital) at the initial fair value of these contracts based on the relative fair value method. The PSPs related to these July 2012 TEUs are scheduled to be settled in Beazer Homes' common stock on July 15, 2015. If on that date, our common stock price is (1) at or below $14.50 per share, the PSPs will convert to 1.72414 shares per unit, (2) at or above $17.75 per share, the PSPs will convert to 1.40746 shares per unit or (3) between $14.50 and $17.75 per share, the PSPs will convert to a number of shares of our common stock equal to $25.00 divided by the applicable market value of our common stock.

During May 2010, we issued 3.0 million 7.25% TEUs (the 2010 TEUs). In March 2012, we exchanged 2.8 million shares of our common stock for 2.8 million 2010 TEUs (comprised of prepaid stock purchase contracts and $7.2 million of senior amortizing notes). Since our offer to convert the 2010 TEUs included a premium share component and was not pursuant to the instrument's original conversion terms, we accounted for the exchange as an induced conversion of the 2010 TEUs. We compared the fair

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value of the common stock issued to the fair value of the 2010 TEU instruments at the date of acceptance in order to determine the premium of the consideration. This premium was then allocated between the debt and equity components of the 2010 TEUs based on each components relative fair value. The difference between the implied fair value of the amortizing notes (including the premium allocation) and the carrying value of the amortizing notes was recognized as a loss on extinguishment of debt and totaled approximately $0.7 million. The remaining related PSPs issued in May 2010 will be settled in Beazer Homes' common stock on August 15, 2013.

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 was payable quarterly in cash in arrears. Holders of the Mandatory Convertible Subordinated Notes had 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 fixed conversion rate of 0.8909 shares per $25 principal amount of notes.

During the quarter ended March 31, 2012, we exchanged 2.2 million shares of our common stock for $48.1 million of our Mandatory Convertible Subordinated Notes. Since our offer to convert these notes included a premium share component, we accounted for the exchange as an induced conversion of these notes. We recognized a $2.0 million inducement expense equal to the fair value of the premium shares issued based on our common stock price as of the date of acceptance. This expense was included in loss on extinguishment of debt for the fiscal year ended September 30, 2012.

On January 15, 2013, the remaining $9.4 million of outstanding Mandatory Convertible Subordinated Notes converted into 0.4 million shares of the Company's common stock in accordance with the notes' conversion provisions.

Junior Subordinated Notes — $103.1 million of unsecured junior subordinated notes mature on July 30, 2036, are redeemable at par and pay a fixed rate of 7.987% for the first ten years ending July 30, 2016. Thereafter, the securities have a variable interest rate as defined in the junior subordinated notes agreement. The obligations relating to these notes and the related securities are subordinated to our Secured Revolving Credit Facility and Senior Notes. In January 2010, we modified the terms of $75 million of these notes and recorded these notes at their estimated fair value. Over the remaining life of the notes, we will increase their carrying value until this carrying value equals the face value of the notes. As of June 30, 2013, the unamortized accretion was $47.6 million and will be amortized over the remaining life of the notes.

As of June 30, 2013, we were in compliance with all covenants under our Junior Notes.

Cash Secured Loans — We have entered into two separate loan facilities, totaling $222.4 million as of June 30, 2013. Borrowing under the cash secured loan facilities will replenish cash used to repay or repurchase the Company's debt and would be considered "refinancing indebtedness" under certain of the Company's existing indentures and debt covenants. However, because the loans are fully collateralized by cash equal to the loan amount, the loans do not provide liquidity to the Company.

The lenders of these facilities may put the outstanding loan balances to the Company in November 2014. The loan matures in November 2017. Borrowings under the facilities are fully secured by cash held by the lender or its affiliates. This secured cash is included in restricted cash on our unaudited condensed consolidated balance sheet as of June 30, 2013 and September 30, 2012. The cash secured loan has an interest rate equivalent to LIBOR plus 0.4% per annum which is paid every three months following the effective date of each borrowing. During the quarter ended September 30, 2012, we repaid $20 million of the outstanding cash secured term loan. Further, during the nine months ended June 30, 2013, we repaid $5 million of the outstanding cash secured term loan.

Other Secured Notes Payable — We periodically acquire land through the issuance of notes payable. As of June 30, 2013 and September 30, 2012, we had outstanding notes payable of $8.5 million and $8.8 million respectively, primarily related to land acquisitions. These notes payable have varying expiration dates between 2013 and 2019 and have a weighted average fixed rate of 3.91% at June 30, 2013. 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.

(8) Income Taxes

For the three and nine months ended June 30, 2013, our non-cash tax benefit from continuing operations was $0.4 million and $1.0 million, respectively, primarily related to a decrease of our prior year's recognized tax benefits. As of June 30, 2013 and September 30, 2012, we had $2.5 million of accrued interest and penalties related to our unrecognized tax benefits.

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Our federal income tax returns for fiscal years 2007 through 2010 are under Internal Revenue Service (IRS) appeal. Certain state income tax returns for various fiscal years are under routine examination. The final outcome of these appeals and examinations are not yet determinable and therefore the change in our unrecognized tax benefits that could occur within the next 12 months cannot be estimated at this time.

During fiscal 2008, we determined that we did not meet the more likely than not standard that substantially all of our deferred tax assets would be realized and therefore, we established a valuation allowance for substantially all of our deferred tax assets.

Given the prolonged economic downturn affecting the homebuilding industry and the continued uncertainty regarding the recoverability of the remaining deferred tax assets, we continue to believe that a valuation allowance is needed for substantially all of our deferred tax assets. In future periods, the allowance could be modified based on sufficient evidence indicating that more likely than not a portion of our deferred tax assets will be realized. Changes in existing tax laws could also affect actual tax results and the valuation of deferred tax assets over time.

Further, we experienced an “ownership change” as defined in Section 382 of the Internal Revenue Code (Section 382) as of January 12, 2010. Section 382 contains rules that limit the ability of a company that undergoes an “ownership change” to utilize its net operating loss (NOL) carryforwards and certain built-in losses or deductions recognized during the five-year period after the ownership change to offset future taxable income. Therefore, our ability to utilize our pre-ownership change NOL carryforwards and recognize certain built-in losses or deductions is limited by Section 382. Specifically, as of June 30, 2013, $87.4 million of our deferred tax asset was subject to annual recognition limitations under Section 382, of which an estimated maximum amount of $11.4 million ($4 million tax-effected) may be recognized annually. In addition, due to a combination of Section 382 limitations and the maximum 20-year carryforward of our NOLs, we will be unable to fully recognize certain deferred tax assets.

As of June 30, 2013, our valuation allowance was $505.3 million. Upon the resumption of sustained profitability and the reversal of our valuation allowance, we currently expect to be able to utilize between $394.6 million and $453.6 million of our deferred tax asset for the reduction of future cash taxes. However, the actual realization of our deferred tax assets is difficult to predict and will be dependent on future events.

(9) Contingencies

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

We subcontract our homebuilding work to subcontractors whose contracts generally include an indemnity obligation and a requirement that certain minimum insurance requirements be met, including providing us with a certificate of insurance prior to receiving payments for their work. Therefore, 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 a result of our quarterly analyses, we adjust our estimated warranty liabilities, if required. While we believe our warranty reserves are adequate as of June 30, 2013, 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:

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	Three Months Ended June 30,		Nine Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Balance at beginning of period	$13,601	$16,133	$15,477	$17,916
Accruals for warranties issued	1,398	1,963	4,128	5,191
Changes in liability related to warranties existing in prior periods	256	(565)	(1,483)	(1,916)
Payments made	(1,810)	(1,497)	(4,677)	(5,157)
Balance at end of period	$13,445	$16,034	$13,445	$16,034

Litigation

On June 3, 2009, Beazer Homes Corp., a wholly-owned subsidiary of the Company, was named as a defendant in a purported class action lawsuit in the Circuit Court for Lee County, State of Florida, filed by Bryson and Kimberly Royal, 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 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. In addition, the Company has been named in other multi-plaintiff complaints filed in the multidistrict litigation and individual state court actions. We believe that the claims asserted in these actions are governed by home warranties or are without merit. The Company has offered to repair all of these homes pursuant to a repair protocol that has been adopted by the multidistrict litigation court, including those homes involved in litigation. To date, the owners of all but two of the affected homes have accepted the Company's offer to repair. Furthermore, the Company has agreed to participate in a global class settlement with the plaintiff class counsel and numerous other defendants in the multidistrict litigation, which was approved by the Court on February 13, 2013. The class action settlement requires Beazer to make a settlement payment that is not material to our consolidated financial position or results of operations, and resolves all claims, including future claims, against Beazer related to Chinese drywall. The only exception would have been any claims by persons or entities that opted out of the settlement, but there were no opt outs by the Court’s deadline. The Company also continues to pursue recovery against responsible subcontractors, drywall suppliers and drywall manufacturers for its repair costs. As of June 30, 2013, we have recorded an immaterial amount related to our expected liability under the settlement.

As disclosed in prior SEC filings, we operated Beazer Mortgage Corporation (BMC) from 1998 through February 2008 to offer mortgage financing to buyers of our homes. BMC entered into various agreements with mortgage investors, pursuant to which BMC originated certain mortgage loans and ultimately sold these loans to investors. In general underwriting decisions were not made by BMC but by the investors themselves or third-party service providers. From time to time we have received claims from institutions which have acquired certain of these mortgages demanding damages or indemnity arising from BMC's activities or that we repurchase such mortgages. We have been able to resolve these claims for amounts that are not material to our consolidated financial position or results of operation. We currently have an insignificant number of such claims outstanding for which we believe we have no liability. However, we cannot rule out the potential for additional mortgage loan repurchase or indemnity claims in the future from other investors, although, at this time, we do not believe that the exposure related to any such claims would be material to our consolidated financial position or results of operations. As of June 30, 2013, no liability has been recorded for any such additional claims as such exposure is 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 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 certain of the above pending matters. An unfavorable determination in any of the pending lawsuits could result in the payment by us of substantial monetary damages which may not be fully covered by insurance. Further, the legal costs associated with the lawsuits and the amount of time required to be spent by management and the Board of Directors on these matters, even if we are ultimately successful, could have a material adverse effect on our 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 had 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 a deferred prosecution agreement (DPA), the Company's liability for each of the fiscal years after 2010 through a portion of fiscal 2014 (unless extended

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as previously described in our 2009 Form 10-K) will 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 $16.6 million has been paid as of June 30, 2013. Positive adjusted EBITDA in future years will require us to incur additional expense in the future.

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 and 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. Although we believe that we have significant defenses to the alleged violations, we have reached a settlement with the Department, through an Administrative Consent Order, for an amount that is not material to our consolidated financial position or results of operations.

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 $16.9 million and $19.4 million in other liabilities related to litigation and other matters, excluding warranty, as of June 30, 2013 and September 30, 2012, respectively.

We had outstanding letters of credit and performance bonds of approximately $22.7 million and $160.6 million, respectively, at June 30, 2013 related principally to our obligations to local governments to construct roads and other improvements in various developments. We have no outstanding letters of credit relating to our land option contracts as of June 30, 2013.

(10) Fair Value Measurements

As of June 30, 2013, we had no assets or liabilities in our unaudited condensed consolidated balance sheets that were required to be measured at fair value on a recurring basis. Certain of our assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recovered. We use a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value as follows: Level 1 – Quoted prices in active markets for identical assets or liabilities; Level 2 – Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly through corroboration with market data; Level 3 – Unobservable inputs that reflect our own estimates about the assumptions market participants would use in pricing the asset or liability.

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. The fair values of our investments in unconsolidated entities are determined primarily using a discounted cash flow model to value the underlying net assets of the respective entities. See Notes 1, 3 and 4 for additional information related to the fair value accounting for the assets listed above. Determining which hierarchical level an asset or liability falls within requires significant judgment. We evaluate our hierarchy disclosures each quarter.

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 the nine months ended June 30, 2013 and 2012:

(In thousands)	Level 1	Level 2	Level 3	Total
Nine Months Ended June 30, 2013				
Land held for sale	—	—	$2,013	$2,013
Nine Months Ended June 30, 2012				
Development projects in progress	—	—	$20,857	$20,857
Land held for sale	—	—	$1,780	$1,780

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

Obligations related to land not owned under option agreements approximate fair value. The carrying values and estimated fair values of other financial assets and liabilities were as follows:

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(In thousands)	As of June 30, 2013		As of September 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior Notes	$1,221,707	$1,270,003	$1,201,067	$1,228,745
Mandatory Convertible Subordinated Notes	—	—	9,402	7,465
Junior Subordinated Notes	53,153	53,153	51,603	51,603
	$1,274,860	$1,323,156	$1,262,072	$1,287,813

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

(11) Stock-based Compensation

For the three and nine months ended June 30, 2013, our total stock-based compensation, included in general and administrative expenses (G&A), was approximately $0.6 million ($0.5 million net of tax) and $2.3 million ($1.8 million net of tax), respectively. 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. The fair value of each performance-based, nonvested stock grant is estimated on the date of grant using the Monte Carlo valuation method. The cash-settled component of any awards granted to employees are accounted for as a liability award and the liability is adjusted to fair value each reporting period until vested. Non-performance based, nonvested stock is valued based on the market price of the common stock on the date of the grant.

During the nine months ended June 30, 2013 and 2012, employees surrendered 6,147 and 12,553 shares, respectively, 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 $121,000 and $34,000 for the nine months ended June 30, 2013 and 2012, respectively.

Stock Options: We used the following weighted-average assumptions for our options granted during the nine months ended June 30, 2013:

Expected life of options	5.0 years	
Expected volatility	46.15	%
Expected discrete dividends	—	
Weighted average risk-free interest rate	0.63	%
Weighted average fair value	$5.48	

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

The intrinsic value of a stock option/SSAR is the amount by which the market value of the underlying stock exceeds the exercise price of the option/SSAR. At June 30, 2013, our SSAR/stock options outstanding had an intrinsic value of $1.4 million. The intrinsic value of SSARs/stock options vested and expected to vest in the future was $1.4 million.

The SSARS/stock options vested and expected to vest in the future had a weighted average expected life of 2.7 years. The aggregate intrinsic value of exercisable SSARs/stock options as of June 30, 2013 was $0.2 million.

The following table summarizes stock options and SSARs outstanding as of June 30, 2013, as well as activity during the three and nine months then ended:

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	Three Months Ended June 30, 2013		Nine Months Ended June 30, 2013	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	574,165	$32.75	429,965	$40.80
Granted	5,086	20.58	160,651	13.56
Exercised	(503)	10.80	(608)	10.80
Expired	—	—	(7,703)	96.45
Forfeited	(763)	12.56	(4,320)	17.86
Outstanding at end of period	577,985	$32.69	577,985	$32.69
Exercisable at end of period	325,396	$47.52	325,396	$47.52
Vested or expected to vest in the future	574,752	$32.79	574,752	$32.79

Nonvested Stock Awards: Compensation cost arising from nonvested stock awards granted to employees is recognized as an expense using the straight-line method over the vesting period. As of June 30, 2013 and September 30, 2012, there was $1.4 million and $2.1 million, respectively, of total unrecognized compensation cost related to nonvested stock awards included in paid-in capital. The cost remaining at June 30, 2013 is expected to be recognized over a weighted average period of 1.3 years.

During the nine months ended June 30, 2013, we issued 31,532 shares of performance-based restricted stock (Performance Shares) to our executive officers and certain corporate employees. Each Performance Share represents a contingent right to receive one share of the Company's common stock if vesting is satisfied at the end of the three-year performance period. The number of shares that will vest at the end of the three-year performance period will depend upon the level to which the following two performance criteria are achieved (1) Beazer's total shareholder return (TSR) relative to a group of peer companies and (2) the compound annual growth rate (CAGR) during the three-year performance period of Beazer common stock. The target number of Performance Shares that vest may be increased by up to 50% based on the level of achievement of the above criteria as defined in the applicable award agreement. Payment for Performance Shares in excess of the target number (31,532) will be settled in cash. Any portion of the Performance Shares that do not vest at the end of the period will be forfeited. The grants of the performance-based, nonvested stock were valued using the Monte Carlo valuation method and had an estimated fair value of $5.02 per share, a portion of which is attributable to the potential cash-settled liability aspect of the grant which is included in Other Liabilities.

A Monte Carlo simulation model requires the following inputs: (1) expected dividend yield on the underlying stock, (2) expected price volatility of the underlying stock, (3) risk-free interest rate for the period corresponding with the expected term of the award and (4) fair value of the underlying stock. For the Company and each member of the peer group, the following inputs were used, as applicable, in the Monte Carlo simulation model to determine the fair value as of the grant date for the Performance Shares: 0% dividend yield for the Company, expected price volatility ranging from 35.6% to 60.4% and a risk-free interest rate of 0.34%. The methodology used to determine these assumptions is similar to that for the Black-Scholes Model used for stock option grants discussed above; however the expected term is determined by the model in the Monte Carlo simulation.

Activity relating to nonvested stock awards, including the Performance Shares for the three and nine months ended June 30, 2013 is as follows:

Three Months Ended June 30, 2013		Nine Months Ended June 30, 2013	
Shares	Weighted Average Grant Date Fair	Shares	Weighted Average Grant Date Fair

		Value		Value
Beginning of period	374,753	$18.19	323,335	$19.61
Granted	6,104	20.58	99,413	10.95
Vested	(94,471)	33.22	(126,124)	27.59
Forfeited	(3,615)	13.30	(13,853)	13.92
End of period	282,771	$13.29	282,771	$13.29

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(12) Segment Information

We have three homebuilding segments operating in 16 states. Beginning in the second quarter of fiscal 2011, through May 2, 2012, we operated our Pre-Owned Homes business in Arizona and Nevada. The results below include operating results of our Pre-Owned segment through May 2, 2012. Effective May 3, 2012, we contributed our Pre-Owned Homes business for an investment in an unconsolidated entity (see Note 3 for additional information). Revenues in our homebuilding segments are derived from the sale of homes which we construct and from land and lot sales. Revenues from our Pre-Owned segment were derived from the rental of previously owned homes purchased and improved by the Company. Our reportable segments have been determined on a basis that is used internally by management for evaluating segment performance and resource allocations. The reportable homebuilding segments and all other homebuilding operations, not required to be reported separately, include operations conducting business in the following states:

West: Arizona, California, Nevada and Texas

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

Southeast: Florida, Georgia, North Carolina (Raleigh) and South Carolina

Management's evaluation of segment performance is based on segment operating income. Operating income for our homebuilding segments is defined as homebuilding, land sale and other revenues less home construction, land development and land sales expense, commission expense, depreciation and amortization and certain general and administrative expenses which are incurred by or allocated to our homebuilding segments. Operating income for our Pre-Owned segment was historically defined as rental revenues less home repairs and operating expenses, home sales expense, depreciation and amortization and certain general and administrative expenses which are incurred by or allocated to the segment. The accounting policies of our segments are those described in Note 1 above and Note 1 to our consolidated financial statements in our 2012 Annual Report.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Revenue				
West	$133,519	$99,092	$362,641	$247,726
East	111,556	98,930	325,224	255,940
Southeast	69,364	56,328	161,378	129,966
Pre-Owned	—	205	—	1,114
Continuing Operations	$314,439	$254,555	$849,243	$634,746

	Three Months Ended June 30,		Nine Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Operating income/(loss)				
West	$15,313	$2,719	$33,716	$5,505
East	7,714	197	24,215	344
Southeast	7,644	3,339	12,024	5,304
Pre-Owned	—	(29)	—	(229)
Segment total	30,671	6,226	69,955	10,924
Corporate and unallocated (a)	(22,199)	(27,381)	(64,773)	(66,472)
Total operating income (loss)	8,472	(21,155)	5,182	(55,548)
Equity in (loss) income of unconsolidated entities	(310)	48	(206)	(25)
Loss on extinguishment of debt	—	—	(3,638)	(2,747)
Other expense, net	(14,036)	(16,804)	(45,858)	(53,342)
Loss from continuing operations before income taxes	$(5,874)	$(37,911)	$(44,520)	$(111,662)

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(In thousands)	Three Months Ended June 30, 2013	2012	Nine Months Ended June 30, 2013	2012
Depreciation and amortization				
West	$1,263	$1,685	$3,470	$3,555
East	750	728	2,333	2,038
Southeast	411	486	1,068	1,199
Pre-Owned	—	57	—	330
Segment total	2,424	2,956	6,871	7,122
Corporate and unallocated (a)	529	787	1,890	2,214
Continuing Operations	$2,953	$3,743	$8,761	$9,336

(In thousands)	Nine Months Ended June 30, 2013	2012
Capital Expenditures		
West	$2,979	$2,131
East	881	2,890
Southeast	1,087	1,620
Pre-Owned (b)	—	7,932
Corporate and unallocated	1,625	544
Consolidated total	$6,572	$15,117

(In thousands)	June 30, 2013	September 30, 2012
Assets		
West	$663,865	$618,805
East	364,753	320,404
Southeast	212,340	160,868
Corporate and unallocated (c)	701,959	882,141
Consolidated total	$1,942,917	$1,982,218

(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 nine months ended June 30, 2012, corporate and unallocated also includes an $11 million recovery related to old water intrusion warranty and related legal expenditures.

(b) Capital expenditures represent the purchase of previously owned homes during the nine months ended June 30, 2012.

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

(13) 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 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.

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Beazer Homes USA, Inc.
Unaudited Consolidating Balance Sheet Information
June 30, 2013
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	$295,769	$5,729	$888	$(4,040)	$298,346
Restricted cash	245,651	362	—	—	246,013
Accounts receivable (net of allowance of $2,045)	—	26,059	7	—	26,066
Income tax receivable	3,080	—	—	—	3,080
Land not owned under option agreements	—	1,265,112	—	—	1,265,112
Consolidated inventory not owned	—	7,880	—	—	7,880
Investments in unconsolidated entities	773	41,704	—	—	42,477
Deferred tax assets, net	7,076	—	—	—	7,076
Property, plant and equipment, net	—	16,734	—	—	16,734
Investments in subsidiaries	93,173	—	—	(93,173)	—
Intercompany	1,096,356	—	2,771	(1,099,127)	—
Other assets	21,260	7,693	1,180	—	30,133
Total assets	$1,763,138	$1,371,273	$4,846	$(1,196,340)	$1,942,917
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	$—	$79,625	$—	$—	$79,625
Other liabilities	36,911	88,426	1,409	—	126,746
Intercompany	1,073	1,102,094	—	(1,103,167)	—
Obligations related to land not owned under option agreements	—	2,904	—	—	2,904
Total debt (net of discounts of $2,341)	1,497,168	8,488	—	—	1,505,656
Total liabilities	1,535,152	1,281,537	1,409	$(1,103,167)	1,714,931
Stockholders' equity	227,986	89,736	3,437	(93,173)	227,986
Total liabilities and stockholders' equity	$1,763,138	$1,371,273	$4,846	$(1,196,340)	$1,942,917

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Beazer Homes USA, Inc.

Unaudited Consolidating Balance Sheet Information
September 30, 2012
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
ASSETS					
Cash and cash equivalents	$ 481,394	$ 8,215	$ 646	$ (2,460)	$ 487,795
Restricted cash	252,900	360	—	—	253,260
Accounts receivable (net of allowance of $2,235)	—	24,594	5	—	24,599
Income tax receivable	6,372	—	—	—	6,372
Owned inventory	—	1,099,132	—	—	1,099,132
Land not owned under option agreements	—	12,420	—	—	12,420
Investments in unconsolidated entities	773	41,305	—	—	42,078
Deferred tax assets, net	6,848	—	—	—	6,848
Property, plant and equipment, net	—	18,974	—	—	18,974
Investments in subsidiaries	63,120	—	—	(63,120)	—
Intercompany	969,425	—	3,001	(972,426)	—
Other assets	21,307	7,783	1,650	—	30,740
Total assets	$ 1,802,139	$ 1,212,783	$ 5,302	$ (1,038,006)	$ 1,982,218
LIABILITIES AND STOCKHOLDERS' EQUITY					
Trade accounts payable	$ —	$ 69,268	$ —	$ —	$ 69,268
Other liabilities	49,354	96,389	1,975	—	147,718
Intercompany	1,098	973,788	—	(974,886)	—
Obligations related to land not owned under option agreements	—	4,787	—	—	4,787
Total debt (net of discounts of $3,082)	1,489,440	8,758	—	—	1,498,198
Total liabilities	1,539,892	1,152,990	1,975	$ (974,886)	1,719,971
Stockholders' equity	262,247	59,793	3,327	(63,120)	262,247
Total liabilities and stockholders' equity	$ 1,802,139	$ 1,212,783	$ 5,302	$ (1,038,006)	$ 1,982,218

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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 June 30, 2013					
Total revenue	$—	$314,439	$ 173	$(173)	$314,439
Home construction and land sales expenses	9,996	250,501	—	(173)	260,324
Gross (loss) profit	(9,996)	63,938	173	—	54,115
Commissions	—	13,078	—	—	13,078
General and administrative expenses	—	29,570	42	—	29,612
Depreciation and amortization	—	2,953	—	—	2,953
Operating (loss) income	(9,996)	18,337	131	—	8,472
Equity in loss of unconsolidated entities	—	(310)	—	—	(310)
Other (expense) income, net	(14,252)	211	5	—	(14,036)
(Loss) income before income taxes	(24,248)	18,238	136	—	(5,874)
(Benefit from) provision for income taxes	(1,937)	1,457	48	—	(432)
Equity in income of subsidiaries	16,869	—	—	(16,869)	—
(Loss) income from continuing operations	(5,442)	16,781	88	(16,869)	(5,442)
Loss from discontinued operations	—	(344)	(2)	—	(346)
Equity in loss of subsidiaries	(346)	—	—	346	—
Net (loss) income	$(5,788)	$16,437	$ 86	$(16,523)	$(5,788)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Three Months Ended June 30, 2012					
Total revenue	$—	$254,555	$ 240	$(240)	$254,555
Home construction and land sales expenses	15,649	212,096	—	(240)	227,505
Inventory impairments and option contract abandonments	222	5,597	—	—	5,819
Gross (loss) profit	(15,871)	36,862	240	—	21,231
Commissions	—	10,776	—	—	10,776
General and administrative expenses	—	27,840	27	—	27,867
Depreciation and amortization	—	3,743	—	—	3,743
Operating (loss) income	(15,871)	(5,497)	213	—	(21,155)
Equity in income of unconsolidated entities	—	48	—	—	48
Other (expense) income, net	(17,233)	414	15	—	(16,804)
(Loss) income before income taxes	(33,104)	(5,035)	228	—	(37,911)
(Benefit from) provision for income taxes	(12,868)	12,936	77	—	145
Equity in (loss) income of subsidiaries	(17,820)	—	—	17,820	—
	(38,056)	(17,971)	151	17,820	(38,056)

(Loss) income from continuing operations					
Loss from discontinued operations	—	(1,820)	(8)	—	(1,828)
Equity in loss of subsidiaries	(1,828)	—	—	1,828	—
Net (loss) income	$(39,884)	$(19,791)	$143	$19,648	$(39,884)

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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.
Nine Months Ended June 30, 2013					
Total revenue	$—	$849,243	$563	$(563)	$849,243
Home construction and land sales expenses	27,823	685,670	—	(563)	712,930
Inventory impairments and option contract abandonments	—	2,229	—	—	2,229
Gross (loss) profit	(27,823)	161,344	563	—	134,084
Commissions	—	35,406	—	—	35,406
General and administrative expenses	—	84,633	102	—	84,735
Depreciation and amortization	—	8,761	—	—	8,761
Operating (loss) income	(27,823)	32,544	461	—	5,182
Equity in loss of unconsolidated entities	—	(206)	—	—	(206)
Loss on extinguishment of debt	(3,638)	—	—	—	(3,638)
Other (expense) income, net	(46,709)	839	12	—	(45,858)
(Loss) income before income taxes	(78,170)	33,177	473	—	(44,520)
(Benefit from) provision for income taxes	(2,074)	880	166	—	(1,028)
Equity in income of subsidiaries	32,604	—	—	(32,604)	—
(Loss) income from continuing operations	(43,492)	32,297	307	(32,604)	(43,492)
(Loss) income from discontinued operations	—	(2,354)	30	—	(2,324)
Equity in loss of subsidiaries	(2,324)	—	—	2,324	—
Net (loss) income	$(45,816)	$29,943	$337	$(30,280)	$(45,816)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Nine Months Ended June 30, 2012					
Total revenue	$—	$634,746	$701	$(701)	$634,746
Home construction and land sales expenses	41,128	520,137	—	(701)	560,564
Inventory impairments and option contract abandonments	275	10,217	—	—	10,492
Gross (loss) profit	(41,403)	104,392	701	—	63,690
Commissions	—	27,522	—	—	27,522
General and administrative expenses	—	82,291	89	—	82,380
Depreciation and amortization	—	9,336	—	—	9,336
Operating (loss) income	(41,403)	(14,757)	612	—	(55,548)
Equity in loss of unconsolidated entities	—	(25)	—	—	(25)
Loss on extinguishment of debt	(2,747)	—	—	—	(2,747)
Other (expense) income, net	(55,147)	1,780	25	—	(53,342)
(Loss) income before income taxes	(99,297)	(13,002)	637	—	(111,662)

(Benefit from) provision for income taxes	(38,597)	1,936	223	—	(36,438)
Equity in (loss) income of subsidiaries	(14,524)	—	—	14,524	—
(Loss) income from continuing operations	(75,224)	(14,938)	414	14,524	(75,224)
Loss from discontinued operations	—	(3,858)	(11)	—	(3,869)
Equity in loss of subsidiaries	(3,869)	—	—	3,869	—
Net (loss) income	$(79,093)	$(18,796)	$403	$18,393	$(79,093)

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Beazer Homes USA, Inc.

Unaudited Consolidating Statements of Cash Flow Information
(In thousands)

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Nine Months Ended June 30, 2013					
Net cash (used in) provided by operating activities	$ (53,663)	$ (144,770)	$ 239	$ —	$ (198,194)
Cash flows from investing activities:					
Capital expenditures	—	(6,572)	—	—	(6,572)
Investments in unconsolidated entities	—	(1,374)	—	—	(1,374)
Return of capital from unconsolidated entities	—	432	—	—	432
Increases in restricted cash	(1,237)	(551)	—	—	(1,788)
Decreases in restricted cash	8,487	548	—	—	9,035
Net cash provided by (used in) investing activities	7,250	(7,517)	—	—	(267)
Cash flows from financing activities:					
Repayment of debt	(185,161)	(270)	—	—	(185,431)
Proceeds from issuance of new debt	200,000	—	—	—	200,000
Settlement of unconsolidated entity debt obligations	—	(500)	—	—	(500)
Debt issuance costs	(4,935)	—	—	—	(4,935)
Advances to/from subsidiaries	(148,994)	150,571	3	(1,580)	—
Payments for other financing activities	(122)	—	—	—	(122)
Net cash (used in) provided by financing activities	(139,212)	149,801	3	(1,580)	9,012
(Decrease) increase in cash and cash equivalents	(185,625)	(2,486)	242	(1,580)	(189,449)
Cash and cash equivalents at beginning of period	481,394	8,215	646	(2,460)	487,795
Cash and cash equivalents at end of period	$ 295,769	$ 5,729	$ 888	$ (4,040)	$ 298,346

	Beazer Homes USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Beazer Homes USA, Inc.
Nine Months Ended June 30, 2012					
Net cash (used in) provided by operating activities	$ (109,339)	$ 2,225	$ 702	$ —	$ (106,412)
Cash flows from investing activities:					
Capital expenditures	—	(15,117)	—	—	(15,117)
Investments in unconsolidated entities	—	(2,075)	—	—	(2,075)
Return of capital from unconsolidated entities	—	440	—	—	440
Increases in restricted cash	(645)	(1,034)	—	—	(1,679)
Decreases in restricted cash	5,878	1,077	—	—	6,955
	5,233	(16,709)	—	—	(11,476)

Net cash provided by (used in) investing activities					
Cash flows from financing activities:					
Repayment of debt	(2,460)	(909)	—	—	(3,369)
Settlement of unconsolidated entity obligations	(15,862)	—	—	—	(15,862)
Debt issuance costs	(274)	—	—		