BEAZER HOMES USA INC
Form DEF 14A
December 22, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under 14a-12

BEAZER HOMES USA, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Beazer Homes USA, Inc.

1000 Abernathy Road, Suite 260, Atlanta, Georgia 30328

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF BEAZER HOMES USA, INC.:

Notice is hereby given that the annual meeting of stockholders of Beazer Homes USA, Inc. will be held at 8:30 a.m. on Tuesday, February 7, 2012 at our principal executive office at 1000 Abernathy Road, Suite 260, Atlanta, Georgia 30328. At this meeting, stockholders will vote on:

1) The election of the seven nominees to our Board of Directors named in the accompanying Proxy Statement;

2) The ratification of the selection of Deloitte & Touche LLP by the Audit Committee of our Board of Directors as our independent registered public accounting firm for the fiscal year ending September 30, 2012;

3) A non-binding advisory vote regarding the compensation paid to the Company s named executive officers, commonly referred to as a Say on Pay proposal; and

4) Any other such business as may properly come before the meeting or any adjournments or postponements thereof.

Our Board of Directors has fixed the close of business on December 7, 2011 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting. A copy of our annual report to stockholders is being mailed to you together with this notice.

We encourage you to take part in our affairs by voting either in person by written ballot at the meeting or by telephone, Internet or written proxy.

By Order of the Board of Directors,
BRIAN C. BEAZER
Non-Executive Chairman of the Board of Directors

Dated: December 22, 2011

YOUR VOTE IS IMPORTANT.

WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE PROMPTLY MARK, DATE, SIGN AND MAIL THE ENCLOSED PROXY. A RETURN ENVELOPE, WHICH REQUIRES NO ADDITIONAL POSTAGE IF MAILED IN THE UNITED STATES, IS ENCLOSED FOR THAT PURPOSE. YOU MAY ALSO VOTE BY INTERNET OR TELEPHONE BY FOLLOWING INSTRUCTIONS ON THE ENCLOSED PROXY.

Table of Contents

TABLE OF CONTENTS

Table of Contents

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR OUR

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON FEBRUARY 7, 2012.

Our Proxy Statement for the 2012 annual meeting of stockholders and our annual report to stockholders for the fiscal year ended September 30, 2011 are available at www.proxyvote.com.

You will need the 12-digit Control Number included on your proxy card or voting instruction form to access these materials.

HOW TO VOTE

You can vote your shares in person by attending the meeting or by completing and returning a proxy by mail or by using the telephone or the Internet. Please refer to the proxy card or voting instruction form included with these proxy materials for information on the voting methods available to you. If you vote by telephone or on the Internet, you do not need to return your proxy card. Please see page 1 of the accompanying Proxy Statement for more information.

ANNUAL MEETING ADMISSION

Please note that attendance at the meeting is limited to our stockholders or their named representatives. Proof of ownership of our common stock as of the record date and photo identification will be required for admittance to the annual meeting. If you are a registered stockholder, the top portion of your proxy card may serve as proof of ownership. If you are attending on behalf of an entity that is a stockholder, evidence of your employment or association with that entity also will be required.

To obtain directions to attend the annual meeting, please contact our Investor Relations Department at (770) 829-3700.

ELECTRONIC DELIVERY OF PROXY MATERIALS

Instead of receiving copies of our Proxy Statement in the mail, stockholders may elect to receive only an email with a link to future proxy statements, proxy cards and annual reports on the Internet. Receiving your proxy materials online saves us the cost of producing and mailing documents to you and significantly reduces the environmental impact. Stockholders may enroll to receive proxy materials online as follows:

Stockholders of Record. If you are a registered stockholder, you may request electronic delivery when voting for this meeting on the Internet at www.proxyvote.com.

Beneficial Holders. If your shares are not registered in your name, check the information provided to you by your bank or broker, or contact your bank or broker for information on electronic delivery service.

401(k) Plan Participants. If you are a participant in our 401(k) plan, you may request electronic delivery when voting for this meeting on the Internet at www.proxyvote.com.

HOUSEHOLDING

As permitted by the Securities and Exchange Commission, only one copy of this Proxy Statement and our Annual Report may be delivered to stockholders residing at the same address, unless such stockholders have notified us of their desire to receive multiple copies of our Proxy Statement or Annual Report. We will promptly deliver, upon oral or written request, a separate copy of the Annual Report or Proxy Statement, as applicable, to any stockholder residing at an address to which only one copy was mailed. Stockholders residing at the same address and currently receiving only one copy of our Proxy Statement or Annual Report may contact us to request multiple copies in the future. Stockholders residing at the same address and currently receiving multiple copies may contact us to request that only a single copy of the proxy statement and annual report be mailed in the future. Requests should be directed to our Investor Relations Department by phone at (770) 829-3700 or by mail to Beazer Homes USA, Inc., Attention: Investor Relations, 1000 Abernathy Road, Suite 260, Atlanta, Georgia 30328.

Table of Contents

BEAZER HOMES USA, INC.

1000 Abernathy Road

Suite 260

Atlanta, Georgia 30328

PROXY STATEMENT

Purpose

This Proxy Statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of Beazer Homes USA, Inc., a Delaware corporation (the Company), for use at our annual meeting of stockholders to be held on February 7, 2012 and at any adjournments or postponements thereof. Stockholders of record at the close of business on December 7, 2011 are entitled to notice of and to vote at the annual meeting. On December 12, 2011, we had 76,407,279 outstanding shares of common stock. Each share of common stock entitles the holder to one vote with respect to each matter to be considered. The common stock is our only outstanding class of voting securities. This Proxy Statement and the enclosed form of proxy are being mailed to stockholders, commencing on or about December 22, 2011, together with our Annual Report to stockholders (which includes our Annual Report on Form 10-K for our fiscal year ended September 30, 2011).

Voting Instructions

General

Shares represented by a proxy will be voted in the manner directed by the stockholder. If no direction is made, except as discussed below regarding broker non-votes, the completed proxy will be voted:

1. ***FOR*** the election of the seven nominees to our Board of Directors named in this Proxy Statement;

2. ***FOR*** the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2012;

3. ***FOR*** the approval of the compensation paid to our named executive officers (the Say on Pay proposal); and

4. In accordance with the judgment of the persons named in the proxy as to such other matters as may properly come before the annual meeting.

We have not received notice of any matters to be brought before the meeting other than as specified in the attached notice of meeting.

If you are a stockholder of record as of the close of business on December 7, 2011, you can give a proxy to be voted at the meeting either:

1. By mailing in the enclosed proxy card;

2. By written ballot at the meeting;

3. Over the telephone by calling a toll-free number; or

4. By using the Internet.

Table of Contents

The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions and to confirm that those instructions have been recorded properly. If you are a stockholder of record and you would like to vote by telephone or by using the Internet, please refer to the instructions on the enclosed proxy card.

If you hold your shares in street name, you must vote your shares in the manner prescribed by your broker or nominee. Your broker or nominee has enclosed or provided a voting instruction form for you to use in directing the broker or nominee on how to vote your shares.

Signature Requirements

If shares are registered in the name of more than one person, each named person should sign the proxy. If the stockholder is a corporation, the proxy should be signed in the corporation s name by a duly authorized officer. If a proxy is signed as a trustee, guardian, executor, administrator, under a power of attorney or in any other representative capacity, the signer s full title should be given.

Revocation

A stockholder giving the enclosed proxy may revoke it at any time before the vote is cast at the annual meeting by executing and returning to our Secretary (Kenneth F. Khoury) at our principal executive office or to the official tabulator (Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717) (Broadridge), either a written revocation or a proxy bearing a later date, prior to the annual meeting. Any stockholder who attends the annual meeting in person will not be considered to have revoked his or her proxy unless such stockholder affirmatively indicates at the annual meeting his or her intention to vote in person the shares represented by such proxy. In addition, a stockholder may revoke a proxy by submitting a subsequent proxy by Internet or telephone by following the instructions on the enclosed proxy.

Quorum

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting is required to constitute a quorum. Shares represented by proxies which indicate that the stockholders abstain as to the election of directors or to other proposals will be treated as being present for the purpose of determining the presence of a quorum. Holders of common stock will be entitled to one vote for each share they hold.

Broker Non-Votes

If a broker does not receive instructions from the beneficial owner of shares held in street name for certain types of proposals it must indicate on the proxy that it does not have authority to vote such shares (a broker non-vote) as to such proposals. Please note that the rules of the New York Stock Exchange (the NYSE) that guide how brokers vote your stock have changed in recent years. As a result, if your broker does not receive instructions from you, your broker will **not** be able to vote your shares in the election of directors. In addition and as further described below, without instructions from you, your broker will **not** be able to vote your shares with respect to Proposal 3 (the advisory Say on Pay proposal).

Accordingly, if your shares are held in street name, we strongly encourage you to provide your broker with voting instructions and exercise your right to vote for these important proposals.

Table of Contents

Vote Requirements

Proposal	Vote Required	Voting Options	Effect of Abstentions	Broker Discretionary Voting Allowed?	Effect of Broker Non-Votes
Election of Directors (Proposal 1)	Votes cast FOR exceed votes cast AGAINST	FOR, AGAINST or ABSTAIN	No effect not treated as a vote cast	No	No effect
Ratification of Auditor Appointment (Proposal 2)	Majority of shares present or represented by proxy	FOR, AGAINST or ABSTAIN	Treated as a vote AGAINST the proposal	Yes	Not applicable
Advisory Vote on Executive Compensation (Say on Pay) (Proposal 3)	Majority of shares present or represented by proxy	FOR, AGAINST or ABSTAIN	Treated as a vote AGAINST the proposal	No	No effect

No cumulative voting rights are authorized, and dissenters rights are not applicable to the matters being voted on.

Expenses of Solicitation

Expenses incurred in connection with the solicitation of proxies will be paid by the Company. Proxies are being solicited primarily by mail, but, in addition, our officers and other employees may solicit proxies by telephone, in person or by other means of communication but will receive no extra compensation for such services. In addition, we have engaged Georgeson, Inc. to assist in the solicitation of proxies. We anticipate that the costs associated with this engagement will be approximately $30,000 plus costs and expenses incurred by Georgeson, Inc. We will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for costs incurred in connection with this solicitation.

CORPORATE GOVERNANCE

Board of Directors Meetings and Committees

During fiscal year 2011, our Board of Directors had four standing committees: the Audit Committee, the Nominating/Corporate Governance Committee, the Compensation Committee and the Finance Committee. Directors are encouraged to attend the annual meeting of stockholders, but are not required to do so. At the last annual meeting of stockholders, held on February 2, 2011, five of our seven Directors were in attendance. In fiscal year 2011, each director attended 75% or more of the aggregate of all meetings of the Board of Directors and each committee on which he or she served, with the exception of Mr. Leemputte who attended 71% of such meetings.

Table of Contents

Our Board of Directors held twelve meetings during fiscal year 2011. The following table shows the current membership of each committee and the number of meetings held by each committee during fiscal year 2011:

Director	Audit Committee	Compensation Committee	Nominating/Corporate Governance Committee	Finance Committee
Laurent Alpert	X		Chair	
Brian C. Beazer				X
Peter G. Leemputte	X*			X
Norma A. Provencio	Chair*	X		
Larry T. Solari	X**	Chair	X	
Stephen P. Zelnak, Jr.		X	X	Chair
Number of Fiscal Year 2011 Meetings	**5**	**10**	**4**	**4**

* Audit Committee Financial Expert as defined by Securities and Exchange Commission regulations.

** Mr. Solari served on the Audit Committee until February 2011.

Committee Responsibilities

Audit Committee Our Audit Committee provides assistance to our Board of Directors in fulfilling its responsibilities related to corporate accounting, auditing and public reporting practices of the Company, the quality and integrity of our financial reports, and our internal controls regarding finance, accounting and financial reporting, legal compliance, risk management and ethics established by management and our Board of Directors. In fulfilling these functions, our Audit Committee reviews and makes recommendations to our Board of Directors with respect to certain financial and accounting matters. Our Audit Committee also engages and sets compensation for our independent auditors. Our Audit Committee meets the definition of an audit committee as set forth in Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the Exchange Act).

Compensation Committee Our Compensation Committee discharges our Board of Directors responsibilities relating to the compensation of our executives and directors. More specifically, this Committee establishes and administers cash-based and equity-based compensation programs for directors and executive management, which includes our named executive officers. This Committee also reviews and recommends to our Board of Directors the inclusion of the Compensation Discussion and Analysis that begins on page 18 of this Proxy Statement.

Nominating/Corporate Governance Committee Our Nominating/Corporate Governance Committee makes recommendations concerning the appropriate size and needs of our Board of Directors, including the annual nomination of directors and review of nominees for new directors. Our Nominating/Corporate Governance Committee also reviews and makes recommendations concerning corporate governance and other policies related to our Board of Directors as well as evaluating the performance of our Board of Directors and its committees.

Finance Committee Our Finance Committee provides assistance to our Board of Directors by reviewing and recommending to the Board of Directors matters concerning corporate finance, including, without limitation, equity and debt financings, acquisitions and divestitures, share repurchases and dividend policy. The Board of Directors has also delegated certain limited authority with respect to these matters to this Committee.

Committee Charters

Our Board of Directors has adopted charters for our Audit, Compensation and Nominating/Corporate Governance Committees designed to comply with the requirements of the listing standards of the New York Stock Exchange (NYSE) relating to corporate governance matters (the NYSE Standards) and applicable

Table of Contents

provisions of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) and the rules of the Securities and Exchange Commission (the SEC). The current version of each of these charters, as well as the charter for our Finance Committee, has been posted and is available for public viewing in the Investors section of the our web site at www.beazer.com. In addition, committee charters are available in print to any stockholder upon request to our Investor Relations Department, Beazer Homes USA, Inc., 1000 Abernathy Road, Suite 260, Atlanta, Georgia 30328.

Board Leadership Structure

Our Board of Directors believes that separate individuals should hold the positions of Chairman of the Board and Chief Executive Officer. Since the initial public offering of our common stock in 1994 (the IPO), our Board of Directors has been led by our Non-Executive Chairman, while management of the Company has been led by our President and Chief Executive Officer. We believe this structure provides for more direct independent oversight of management and more clearly delineates the respective roles of the Board of Directors at the strategic level, and of management at the operational level.

In addition, as described under Board Corporate Governance Practices Director Independence below, while our Board of Directors believes that our Non-Executive Chairman, Brian C. Beazer, would be deemed to be independent under applicable regulatory standards, in 2006 the Board of Directors determined that it would be an additional governance best practice to establish a lead independent director position, currently held by Laurent Alpert. Among other functions, our lead independent director chairs the executive sessions of the independent director. Our Nominating/Corporate Governance Committee nominates our lead independent director for election by the independent directors.

Board Corporate Governance Practices

Our Board of Directors has adopted a number of measures designed to comply with the requirements of the Sarbanes-Oxley Act, rules and regulations of the SEC interpreting and implementing the Sarbanes-Oxley Act and the NYSE Standards, as well as other measures that our Board of Directors believes are corporate governance best practices.

The measures adopted by our Board of Directors that we believe are most significant are listed below. This list includes the addition of stock ownership and holding requirements as well as a compensation clawback policy, all adopted since our last annual meeting.

Majority Vote Standard and Director Resignation Policy

Our by-laws and Corporate Governance Guidelines provide a majority voting standard for the election of directors in uncontested elections. Director nominees will be elected if the votes cast for such nominee exceed the number of votes cast against such nominee. In the event that (i) a stockholder proposes a nominee to compete with nominees selected by our Board of Directors, and the stockholder does not withdraw the nomination prior to our mailing the notice of the stockholders meeting, or (ii) one or more directors are nominated by a stockholder pursuant to a solicitation of written consents, then directors will be elected by a plurality vote.

Our Corporate Governance Guidelines provide that our Board of Directors will only nominate candidates who tender their irrevocable resignations, which are effective only upon (i) the candidate not receiving the required vote at the next annual meeting at which they face re-election and (ii) our Board of Directors accepting the candidate s resignation. In the event that any director does not receive a majority vote, then our Corporate Governance Guidelines provide that our Nominating/Corporate Governance Committee will act on an expedited basis to determine whether to accept the director s resignation and will submit its recommendation to our Board of Directors. In deciding whether to accept a director s resignation, our Board of Directors and our Nominating/Corporate Governance Committee may consider any factors that they deem relevant. Our Corporate Governance

Table of Contents

Guidelines also provide that our Board of Directors expects that the director whose resignation is under consideration will abstain from the deliberation process. All candidates standing for re-election at this annual meeting have tendered such irrevocable resignations.

Matters Relating to Risk Management

Board and Committee Oversight of Risk

Effective risk oversight is a priority of our Board of Directors. Both the full Board of Directors and its committees oversee the various risks we face. Management is responsible for the day-to-day management of our risks and provides periodic reports to the Board of Directors and its committees relating to those risks and risk-mitigation efforts. All committees report on the risk categories they oversee to the full Board of Directors on a regular basis.

The Board of Directors has delegated primary responsibility for overseeing our risk management process to the Audit Committee. The Audit Committee oversees our risk identification and mitigation processes and specifically oversees management of our financial, legal, fraud and regulatory risks. This includes regular evaluation of risks related to the Company s financial statements, including internal controls over financial reporting. Members of our management, including our Chief Financial Officer, General Counsel, Compliance Officer and Director of Internal Audit, report to the Audit Committee on a quarterly basis regarding the on-going risk management process activities. The Audit Committee also oversees the internal audit function and independent auditors and meets separately on a quarterly basis with the Compliance Officer, Director of Internal Audit and representatives of our independent auditing firm as part of this oversight responsibility.

The Compensation Committee oversees our risks related to compensation programs and philosophy. The Compensation Committee ensures that our compensation programs, including those applicable to our executives, do not encourage excessive risk taking. The Compensation Committee works periodically with compensation consultants to ensure that our executive compensation plans are appropriately balanced and incentivize management to act in the best interest of our stakeholders.

The Finance Committee oversees our risks relating to liquidity, our capital structure, investments as well as land acquisition and development. The Finance Committee, as well as the Board of Directors as a whole, reviews our long-term strategic plans, annual budget, capital commitments, cash needs and funding plans. As with other risks, management is responsible for the day-to-day management of the risks relating to liquidity, investments as well as land acquisition and development, while our Board of Directors takes an oversight role with respect those risks.

The Nominating/Corporate Governance Committee oversees our board and committee composition as well as risks relating to governance matters. The Nominating/Corporate Governance Committee oversees our compliance and ethics program, including implementation of revisions to our Code of Business Conduct and Ethics, and compliance by directors and management with the corporate governance and ethics standards of the Company.

Impact of Compensation Philosophy and Objectives on Risk

We have reviewed the compensation policies and practices for our employees and have concluded that they do not create risks that are reasonably likely to have a material adverse effect on us.

We have previously analyzed the compensation plans of employees in positions that could be considered to have the potential to create such risks, including our executive and senior corporate officers, senior management in our divisions and regional accounting centers, and our divisional sales management and sales force. We then reviewed the compensation plans of these groups against risk factors established by widely recognized sources. As described in more detail below under Compensation Discussion and Analysis , for fiscal year 2011 and to an even greater extent for fiscal year 2012, we restructured certain long-term compensation programs for our named executive officers, such that a greater portion of long-term compensation is linked to our long-term relative and absolute performance. This model of linking long-term compensation to our performance applies not only to our named executive officers, but has also been applied to senior corporate officers as well as senior management in our divisions and regional accounting centers. We believe that our compensation plans reflect sound risk management practices and do not encourage excessive or inappropriate risk taking.

Director Independence

Listing standards relating to corporate governance promulgated by the NYSE require that our Board of Directors be comprised of a majority of independent directors. The Sarbanes-Oxley Act and rules of the SEC require that the Audit Committee be comprised solely of independent directors. The NYSE Standards further require that the Compensation and Nominating/Corporate Governance Committees also be comprised solely of independent directors. Our Board of Directors has determined that Laurent Alpert, Peter G. Leemputte, Norma A. Provencio, Larry T. Solari and Stephen P. Zelnak had no material relationship with the Company other than their relationship as members of our Board of Directors and were independent within the meaning of the Sarbanes-Oxley Act and the NYSE Standards (the Independence Standards). While the Board of Directors believes that Mr. Beazer would be deemed to be independent under the Independence Standards, in light of his role as Chairman of the Board since the IPO and his relationship with the Company prior to the IPO, the Board of Directors has elected to treat him as not independent for these purposes.

In making these determinations, our Nominating/Corporate Governance Committee, with assistance from our General Counsel, evaluated responses to an independence and qualification questionnaire completed annually by each director and follow-up inquiries made to certain directors. In the case of Mr. Solari, the responses to the questionnaire indicated that we have purchased an immaterial amount of goods from companies of which Mr. Solari is a director. Our Board of Directors affirmatively determined that the relationship was not material either to us or to these companies. Based on the foregoing, our Board of Directors had a majority of independent directors and each of the Audit, Nominating/Corporate Governance and Compensation committees of our Board of Directors during fiscal year 2011 were comprised entirely of independent directors. It is expected that the majority of directors and all members of such committees in fiscal year 2012 will be independent as well. Accordingly, during fiscal year 2011, we were in compliance with the requirements of the NYSE and the SEC for director independence, and we will continue to be in compliance during fiscal year 2012.

Executive Sessions of Non-Management Directors

In accordance with the NYSE Standards, our Board of Directors typically holds an executive session of non-management directors as a part of every regularly scheduled meeting of our Board of Directors. These executive sessions are chaired by Mr. Beazer as Non-Executive Chairman of our Board of Directors. In addition, our Board of Directors holds at least one meeting annually at which the independent directors meet alone, chaired by our lead independent director, Mr. Alpert. These provisions are included in our Corporate Governance Guidelines adopted by our Board of Directors. It is the expectation of both our Nominating/Corporate Governance Committee and our independent directors that the position of lead independent director will rotate among the independent directors, as appropriate.

Communications with Board Members

Security holders and interested parties wishing to communicate directly with our Non-Executive Chairman or our non-management directors as a group may do so by directing their communications to the ethics hotline and specifically asking the operator to direct their concerns to our Non-Executive Chairman or non-management directors, as desired.

Table of Contents

Ethics Hotline

We maintain an ethics hotline which interested parties may contact by calling 1-866-457-9346 and report any concerns to a representative of Global Compliance, a third party service provider that administers our ethics hotline. Alternatively, interested parties can report any such concern via an on-line form by visiting the following web site: www.integrity-helpline.com/Beazer.jsp. The link provides an on-line form that, upon completion, will be submitted directly to Global Compliance. Interested parties may report their concerns anonymously, should they wish to do so. All concerns, whether reported through the toll-free number or the on-line form, will be directed to certain of our officers, including our Compliance Officer, and will be reviewed and investigated as appropriate. Where warranted after investigation, messages will be summarized and referred to the Audit Committee of our Board of Directors for appropriate action.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Upon the advice and recommendation of our Nominating/Corporate Governance Committee, our Board of Directors has adopted a set of Corporate Governance Guidelines. The Corporate Governance Guidelines address an array of governance issues and principles including director qualifications and responsibilities, access to management personnel and independent advisors, director compensation, director orientation and continuing education, management succession, annual performance evaluations of our Board of Directors and meetings of independent directors.

We maintain a Code of Business Conduct and Ethics applicable to all directors, officers and employees that complies with the NYSE Standards. Our employees are also subject to additional specific policies, guidelines and Company rules adopted from time to time governing particular types of conduct or situations. Such additional policies, guidelines or rules are supplemental to our posted Code of Business Conduct and Ethics, and in the case of any inconsistency between the two, employees are expected to comply with the Code of Business Conduct and Ethics.

The most recent version of our Corporate Governance Guidelines and of our Code of Business Conduct and Ethics is posted and available for public viewing in the Investors section of our web site at www.beazer.com. In addition, they are available in print to any stockholder upon request to our Investor Relations Department, Beazer Homes USA, Inc., 1000 Abernathy Road, Suite 260, Atlanta, Georgia 30328.

Stock Ownership and Holding Requirements

In November 2011, our Compensation Committee reinstituted a named executive officer and outside director stock ownership policy to more closely align the interests of our named executive officers and directors with those of our stockholders. The stock ownership policy requires each named executive officer to own the lesser of either a multiple of base salary (or, for directors, annual retainer) or a fixed number of shares (set at policy adoption). Named executive officers and directors have five years from adoption of the policy to comply with the ownership requirements. In connection with the adoption of a stock ownership policy, our Compensation Committee also adopted a stock holding period that requires named executive officers and directors to hold 50% of net after-tax shares issued upon vesting of restricted stock or exercised stock options until their required respective stock ownership levels are achieved. Once an individual achieves the stock ownership requirement, the holding period will no longer apply. For additional information see Compensation Discussion and Analysis Various Compensation Policies Stock Ownership and Holding Requirements .

Compensation Clawback Policy

We have recently adopted an incentive compensation clawback policy that would enable the Company to clawback all or a portion of incentive compensation in the event an individual s misconduct causes the Company to have to issue a restatement of its financials, to the extent that individual s incentive compensation was based on the misstated financials. For additional information see Compensation Discussion and Analysis Various Compensation Policies Compensation Clawback Policy .

Table of Contents

Procedures Regarding Director Candidates Recommended by Stockholders

Our Nominating/Corporate Governance Committee will consider candidates recommended to our Board of Directors by our stockholders. Stockholder recommendations must be addressed to: Beazer Homes USA, Inc., Attention: Chair, Nominating/Corporate Governance Committee, 1000 Abernathy Road, Suite 260, Atlanta, Georgia 30328. If the Nominating/Corporate Governance Committee determines to nominate a stockholder-recommended candidate, then that nominee s name will be included in the proxy statement for the next annual meeting. Our stockholders also have the right under our by-laws to directly nominate director candidates at an annual meeting by following the procedures outlined in our by-laws.

Pursuant to our Corporate Governance Guidelines, our Nominating/Corporate Governance Committee is directed to work with our Board of Directors on an annual basis to determine the appropriate characteristics, skills and experience for each committee member and for our Board of Directors. In evaluating these issues, our Nominating/Corporate Governance Committee takes into account many factors, including the individual director s general understanding of marketing, finance and other elements relevant to the success of a large publicly traded company in today s business environment, understanding of our business on an operational level, education or professional background and willingness to devote time to Board of Director duties. While the Board of Directors does not have a specific diversity policy, it considers diversity of race, ethnicity, gender, age and professional accomplishments in evaluating director candidates. Each individual is evaluated in the context of our Board of Directors as a whole, with the objective of recommending a group of nominees that can best promote the success of the business and represent stockholder interests through the exercise of sound judgment based on diversity of experience and background.

If a director candidate were to be recommended by a stockholder, our Nominating/Corporate Governance Committee expects that it would evaluate such candidate in the same manner it evaluates director candidates identified by the Nominating/Corporate Governance Committee.

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee during fiscal year 2011 were Ms. Provencio and Messrs. Solari and Zelnak. None of the members of our Compensation Committee has ever been an officer or employee of the Company or any of our subsidiaries. None of the members of our Compensation Committee had any relationship requiring disclosure under Transactions with Related Persons . During fiscal year 2011, none of our executive officers served as a director or member of the compensation committee (or other committee of the Board of Directors performing equivalent functions) of another entity or an executive officer of which served on our Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than ten percent of our stock, as well as certain affiliates of such persons, to file initial reports of ownership and changes of ownership with the SEC and the NYSE. These parties are required to furnish us with copies of the reports they file. Based solely on a review of the copies of the Section 16(a) reports and amendments thereto received by us and on written representations that no other reports were required, we believe that all reports required pursuant to Section 16(a) for fiscal year 2011 were timely filed by our executive officers and directors.

Executive Officers

Set forth below is information as of December 12, 2011 regarding our executive officers who are not serving or nominated as directors:

KENNETH F. KHOURY. Mr. Khoury, 60, joined the Company in January 2009 as Executive Vice President and General Counsel. In June 2011, Mr. Khoury was also named Chief Administrative Officer. Mr. Khoury was

Table of Contents

previously Executive Vice President and General Counsel of Delta Air Lines from September 2006 to November 2008. Practicing law for over 30 years, Mr. Khoury s career has included both private practice and extensive in-house counsel experience. Prior to Delta Air Lines, Mr. Khoury was Senior Vice President and General Counsel of Weyerhaeuser Corporation and spent 15 years with Georgia-Pacific Corporation, where he served most recently as Vice President and Deputy General Counsel. He also spent five years at the law firm White & Case in New York. He received a Bachelor of Arts degree from Rutgers College and a Juris Doctor from Fordham University School of Law.

ROBERT L. SALOMON. Mr. Salomon, 51, our Executive Vice President and Chief Financial Officer, initially joined the Company in February 2008 as Senior Vice President, Chief Accounting Officer and Controller. Mr. Salomon was previously with the homebuilding company Ashton Woods Homes where he served as Chief Financial Officer and Treasurer since 1998. Previously, he held various financial management roles of increasing responsibility over a six year period with homebuilder M.D.C. Holdings, Inc. A Certified Public Accountant, Mr. Salomon has 27 years of financial management experience, 19 of which have been in the homebuilding industry. Mr. Salomon is a member of the American Institute of Certified Public Accountants and a graduate of the University of Iowa with a Bachelor of Business Administration.

Table of Contents

PROPOSAL 1 ELECTION OF DIRECTORS

General

Each of the nominees listed below has been nominated as a director for the fiscal year ending September 30, 2012 and until his or her respective successor has been qualified and elected. Each of the following nominees is presently serving as a director. Our Board of Directors periodically evaluates the appropriate size for our Board of Directors and will set the number of directors in accordance with our by-laws and based on recommendations of the Nominating/Corporate Governance Committee of our Board of Directors.

In the event any nominee is not available as a candidate for director, votes will be cast pursuant to authority granted by the enclosed proxy for such other candidate or candidates as may be recommended by the Nominating/Corporate Governance Committee and subsequently nominated by our Board of Directors. Our Board of Directors has no reason to believe that any nominee will be unable or unwilling to serve as a director, if elected.

Vote Required

Each director will be elected if the votes cast for such director exceed the votes cast against such director.

Recommendation

We recommend a vote *FOR* the election of each of the following nominees.

Nominees

The biographical information appearing below with respect to each nominee has been furnished to us by the nominee:

LAURENT ALPERT. Mr. Alpert, 65, has served as a director of the Company since February 2002 and has been our lead independent director since February 3, 2011. Mr. Alpert is a partner in the international law firm of Cleary, Gottlieb, Steen & Hamilton. He joined Cleary, Gottlieb in 1972 and became a partner in 1980. He received his undergraduate degree from Harvard College and a law degree from Harvard Law School. Mr. Alpert is also a member of the Board of Directors of the International Rescue Committee, a non-profit organization providing relief and resettlement services to refugees, and Co-Chair of its Nominating and Governance Committee.

Mr. Alpert brings to the Board of Directors nearly 40 years of experience practicing law with one of the world s pre-eminent law firms and almost ten years experience on our Board of Directors. He has substantial experience representing companies in a broad range of industries. In light of the regulatory environment in which the Company operates and the continued emphasis on corporate governance, ethics and compliance for public companies, Mr. Alpert s experience, training and judgment are deemed to be of significant benefit to the Company.

BRIAN C. BEAZER. Mr. Beazer, 76, is our Non-Executive Chairman and has served in that role and as a director of the Company since its IPO in 1994. From 1968 to 1983, Mr. Beazer was Chief Executive Officer of Beazer PLC, a United Kingdom company, and then was Chairman and Chief Executive Officer of that company from 1983 to the date of its acquisition by Hanson PLC in 1991. During that time, Beazer PLC expanded its activities internationally to include homebuilding, quarrying, contracting and real estate and became an international group with annual revenue of approximately $3.4 billion. Mr. Beazer was educated at the Cathedral School, Wells, Somerset, England. He is a director of Beazer Japan, Ltd., Aeromet Inc., Seal Mint, Ltd., and Numerex Corp. and is a private investor.

Table of Contents

Mr. Beazer has been in the homebuilding and construction industry worldwide for over 50 years. His experience and vision have been driving forces at the Company since prior to its IPO. His extraordinary experience and stature as a highly respected international businessman provide the Company with unique insight into national and international economic policy that impact the homebuilding industry, as well as an in-depth understanding of the domestic homebuilding industry.

PETER G. LEEMPUTTE. Mr. Leemputte, 54, has been a director of the Company since August 2005. Mr. Leemputte joined Mead Johnson Nutrition Company, a global leader in infant and children s nutrition as Senior Vice President and Chief Financial Officer in September 2008. Previously, Mr. Leemputte was Senior Vice President and Chief Financial Officer for Brunswick Corporation, a global manufacturer and marketer of recreation products. He joined Brunswick in 2001 as Vice President and Controller. Prior to joining Brunswick Corporation, Mr. Leemputte held various management positions at Chicago Title Corporation, Mercer Management Consulting, Armco Inc., FMC Corporation and BP. Mr. Leemputte holds a Bachelor of Science degree in Chemical Engineering from Washington University, St. Louis and a Master of Business Administration in Finance and Marketing from the University of Chicago Booth School of Business. Mr. Leemputte currently serves as the Co-Chairman of Washington University s School of Engineering Scholarship Initiative.

Mr. Leemputte s experience, particularly his increasingly important financial responsibilities for several of the nation s leading corporations, provides significant financial and accounting expertise that has been invaluable to the Company in many respects, including compliance with our obligations under various regulatory requirements for financial expertise on the Board of Directors and Audit Committee.

ALLAN P. MERRILL. Mr. Merrill, 45, joined the Company in May 2007 as Executive Vice President and Chief Financial Officer, and currently serves as our President and Chief Executive Officer. Mr. Merrill was previously with Move, Inc. where he served as Executive Vice President of Corporate Development and Strategy beginning in October 2001. From April 2000 to October 2001, Mr. Merrill was president of Homebuilder.com, a division of Move, Inc. Mr. Merrill joined Move, Inc. following a 13-year tenure with the investment banking firm UBS (and its predecessor Dillon, Read & Co.), where he was a managing director and served most recently as co-head of the Global Resources Group, overseeing the construction and building materials, chemicals, forest products, mining and energy industry groups. Mr. Merrill is a member of the Executive Committee of the Policy Advisory Board of the Joint Center for Housing Studies at Harvard University and the Homebuilding Community Foundation. He is a graduate of the University of Pennsylvania, Wharton School with a Bachelor of Science degree in Economics.

We believe Mr. Merrill s experience in and knowledge of the homebuilding sector, gained primarily through finance, capital markets and strategic development roles over the last 20 years, is particularly valuable to the Company as it positions itself to return to profitability in a very difficult economic environment.

NORMA A. PROVENCIO. Ms. Provencio, 54, has been a director of the Company since November 2009. Ms. Provencio is President and owner of Provencio Advisory Services Inc., a healthcare financial and operational consulting firm. Prior to forming Provencio Advisory Services in October 2003, she was the Partner-in-Charge of KPMG s Pacific Southwest Healthcare Practice since May 2002. From 1979 to 2002, she was with Arthur Andersen, serving as that firm s Partner-in-Charge of the Pharmaceutical, Biomedical and Healthcare Practice for the Pacific Southwest from November 1995 to May 2002. Ms. Provencio is currently a member of the Board of Directors of Valeant Pharmaceutical International. She received her Bachelor of Science in Accounting from Loyola Marymount University. She is a Certified Public Accountant and also a member of the Board of Regents of Loyola Marymount University.

Ms. Provencio has over 30 years experience in the public accounting field. We believe her in-depth understanding of accounting rules and financial reporting regulations to be extremely valuable to the Company s commitment and efforts to comply with regulatory requirements, including those related to Audit Committee functions.

Table of Contents

LARRY T. SOLARI. Mr. Solari, 69, has served as a director of the Company since the IPO. He is a partner in Kenner & Company, Inc., a private equity investment firm in New York, a position he has held since 2002. Mr. Solari is the past Chairman and Chief Executive Officer of BSI Holdings, Inc., a position he held from 1998 to 2001. Prior to starting BSI, Mr. Solari was the Chairman and Chief Executive Officer of Sequentia, Inc. and President of the Building Materials Group of Domtar, Inc. Mr. Solari was President of the Construction Products Group of Owens-Corning from 1986 to 1994 and held various other positions with Owens-Corning since 1966. Mr. Solari earned a Bachelor of Science degree in Industrial Management and a Master of Business Administration degree from San Jose State University and is a graduate of Stanford University s Management Program. Mr. Solari is a director of Pacific Coast Building Products, Inc., Atrium Companies, Inc., TruStile Doors, LLC, Performance Contracting Group, Inc., Pace Industries, Cascade Windows and Dynacast International Inc. Mr. Solari is a past director of the Policy Advisory Board of the Harvard Joint Center for Housing Studies and the National Home Builders Advisory Board.

Mr. Solari provides over 40 years experience in a wide range of industries directly related to the homebuilding industry and over 15 years as a member of the Board of Directors. In addition, he has served on several industry-wide organizations. His experience and knowledge of our industry provides valuable insight into several vendor markets that are important to the Company and integral to our operations.

STEPHEN P. ZELNAK, JR. Mr. Zelnak, 66, has served as a director of the Company since February 2003. He is currently non-executive Chairman of Martin Marietta Materials, Inc., a producer of aggregates for the construction industry where he has also served as Chief Executive Officer from 1993 through 2009 and Chairman of the Board of Directors since 1997. Mr. Zelnak joined Martin Marietta Corporation in 1981 where he served as the President of Martin Marietta s Materials Group and of Martin Marietta s Aggregates Division. Mr. Zelnak also serves as Chairman of ZP Enterprises, LLC where he is the majority owner of several precision machining and specialty coatings companies in the Southeast. Mr. Zelnak received a Bachelor s degree from Georgia Institute of Technology and Masters degrees in Administrative Science and Business Administration from the University of Alabama System. He has served as Chairman of the North Carolina Chamber and is the past Chairman of the North Carolina Community College Foundation. He serves on the Advisory Boards of North Carolina State University and Georgia Institute of Technology.

Mr. Zelnak brings over 30 years experience as a senior executive in the building materials industry, as well as an educational background that includes business administration, organizational behavior and finance. He has provided outstanding leadership as Chairman of the Finance Committee as the Company has completed a major restructuring of its capital structure through the extremely challenging conditions of the last several years.

Table of Contents

DIRECTOR COMPENSATION

The following table sets forth the compensation of each non-employee director in fiscal year 2011. As discussed further in footnote 3 to the table, we believe it is important to note that the compensation information relating to stock and option awards appearing in the table below is calculated according to SEC rules and does not represent current values which may be substantially lower due to declines in the value of our common stock.

Name (1)	Fees Earned or Paid in Cash ($) (2)	Stock Awards ($) (3)(4)	Option Awards ($) (3)(5)	Total ($)
Laurent Alpert	$ 87,250	$ 21,285	$ 9,495	$ 118,030
Brian C. Beazer	$ 225,000	$ 70,042	$ 31,245	$ 326,287
Peter G. Leemputte	$ 57,500	$ 21,285	$ 9,495	$ 88,280
Norma A. Provencio	$ 95,000	$ 21,285	$ 9,495	$ 125,780
Larry T. Solari	$ 107,250	$ 21,285	$ 9,495	$ 138,030
Stephen P. Zelnak, Jr.	$ 99,250	$ 21,285	$ 9,495	$ 130,030

(1) Mr. Merrill is a member of our Board of Directors, as well as our President and Chief Executive Officer. His compensation is disclosed in the tables included under Executive Compensation . Since Mr. Merrill does not receive compensation separately for his duties as a director, he is not included in the Director Compensation table.

(2) For Mr. Beazer, amount includes annual retainer fee only. For other directors, amounts include an annual retainer fee, paid quarterly, of $50,000 (beginning January 2011, and $35,000 annually prior to January 2011), $1,500 fee per meeting attended, and $5,000 chair fee for Ms. Provencio and Messrs. Alpert, Leemputte, Solari and Zelnak.

(3) Represents the aggregate grant date fair value of awards determined in accordance with FASB ASC Topic 718. These are not amounts paid to or realized by the non-employee directors. Further information regarding the valuation of stock and option awards can be found in Notes 1 and 12 to our Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended September 30, 2011. In fiscal year 2011, Ms. Provencio and Messrs. Alpert, Leemputte, Solari and Zelnak were each granted 4,500 shares of restricted stock and 4,500 stock options, and Mr. Beazer was granted 14,808 shares of restricted stock and 14,808 stock options.

(4) Our non-employee directors held the following amounts of restricted stock or restricted stock units (RSUs) at September 30, 2011: Mr. Alpert 15,000; Mr. Beazer 42,528; Mr. Leemputte 15,000; Ms. Provencio 14,000; Mr. Solari 15,000 and Mr. Zelnak 17,576. See Security Ownership Executive Officer and Director Beneficial Ownership for complete beneficial ownership information of our common stock for each of our directors.

(5) Our non-employee directors held the following amounts of stock options and stock-settled stock appreciation rights (SSARs) at September 30, 2011: Mr. Alpert 33,000; Mr. Beazer 51,974; Mr. Leemputte 15,000; Ms. Provencio 14,000; Mr. Solari 21,000 and Mr. Zelnak 45,000. See Security Ownership Executive Officer and Director Beneficial Ownership below for complete beneficial ownership information of our common stock for each of our directors.

Narrative Disclosure to Director Compensation Table

Non-Employee Directors (excluding Brian C. Beazer)

Effective January 2011, non-employee directors receive an annual retainer of $50,000 for services as members of our Board of Directors. In addition, directors receive $1,500 for each meeting or teleconference of our Board of Directors or any of its committees attended as well as for attendance at the annual meeting of stockholders and separate meetings of the independent directors. In addition, all committee chairs receive an annual fee of $5,000 relating to their role as chair. Committee chairs, in addition to the payments described above, may also receive additional payments for meetings with the Non-Executive Chairman or other work in furtherance of their duties as chair as approved from time to time by the Non-Executive Chairman.

Table of Contents

Directors are eligible to receive grants of stock options, SSARs and time-based restricted shares under the Company s 2010 Equity Incentive Plan, at the discretion of our Compensation Committee.

Our Compensation Committee s rationale for equity grants to directors is similar to that for our named executive officers, namely, to align their interests with those of stockholders. The amount of the director grant is determined in consultation with our Compensation Committee s retained compensation consultants. Grants of stock options and SSARs prior to August 2009 fully vest after three years and expire seven years after grant, and shares of time-based restricted stock granted prior to August 2009 are restricted for five years from grant. In June 2008, in order to compete more effectively with industry peers in terms of equity vesting and to strengthen the retention impact of equity awards, our Compensation Committee determined that until circumstances warranted a change grants of stock options or SSARs would vest ratably over a three year period and that future grants of time-based restricted stock will vest three years from the date of grant. For fiscal year 2011, our Compensation Committee approved director equity grants as noted in footnote 3 to the Director Compensation Table above.

All directors receive reimbursement for reasonable out-of-pocket expenses incurred by them in connection with participating in meetings of our Board of Directors and any committees thereof.

Brian C. Beazer

For fiscal year 2011, we paid our Non-Executive Chairman of the Board of Directors a retainer of $225,000 for services rendered. Mr. Beazer s retainer has not increased since fiscal year 2005, and will remain the same for fiscal year 2012. In determining the amount of equity compensation to be granted to Mr. Beazer, our Compensation Committee multiplies his annual retainer by a set percentage (which is set in light of his position as Non-Executive Chairman of our Board of Directors and is subject to the discretion of our Compensation Committee). The resulting dollar amount is converted to a unit equivalent based on the closing stock price on the grant date and, in the case of stock options, the closing stock price on the grant date is further discounted for the purpose of converting the multiple of retainer to a unit equivalent. Vesting and expiration of such grants of stock options and time-based restricted shares are the same as those for the other directors.

Except as described above, directors do not receive any other compensation from the Company for services rendered as a director.

Table of Contents

PROPOSAL 2 RATIFICATION OF APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors has selected the firm of Deloitte & Touche LLP, the member firms of Deloitte & Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche), to serve as our independent registered public accounting firm for the fiscal year ending September 30, 2012. Deloitte & Touche has served as our accounting firm since our fiscal year ended September 30, 1996. The services provided to the Company by Deloitte & Touche for the last fiscal year are described under the caption Principal Accountant Fees and Services below. Stockholder approval of the appointment is not required. Our Board of Directors believes that obtaining stockholder ratification of the appointment is a sound governance practice.

Representatives of Deloitte & Touche will be present at the annual meeting, will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders.

Recommendation

We recommend a vote *FOR* ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for the fiscal year ending September 30, 2012.

REPORT OF OUR AUDIT COMMITTEE

Our Audit Committee meets the definition of an audit committee as set forth in Section 3(a)(58)(A) of the Exchange Act and operates under a written charter adopted by our Board of Directors. Each member of our Audit Committee is independent and financially literate in the judgment of our Board of Directors and as required by the Sarbanes-Oxley Act and applicable SEC and NYSE rules. Our Board of Directors has also determined that Mr. Leemputte and Ms. Provencio qualify as audit committee financial experts, as defined under SEC regulations.

Management is responsible for our internal controls and the financial reporting process. Deloitte & Touche our independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) (the PCAOB) and for issuing a report thereon. Our Audit Committee s responsibility is generally to monitor and oversee these processes, as described in our Audit Committee Charter.

Our Audit Committee reviewed and discussed with management our audited financial statements as of and for the fiscal year ended September 30, 2011. Our Audit Committee has discussed with Deloitte & Touche the matters required to be discussed by Statement of Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the PCAOB in Rule 3200T.

Our Audit Committee has also received the written communications from Deloitte & Touche required by the PCAOB regarding Deloitte & Touche s communications with our Audit Committee concerning independence and has discussed with Deloitte & Touche their independence. Our Audit Committee has considered whether the provision of the non-audit services described below by Deloitte & Touche is compatible with maintaining their independence and has concluded that the provision of these services does not compromise such independence.

Based on the review and discussions described above, our Audit Committee recommended to our Board of Directors that the audited financial statements referred to above be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 filed with the SEC.

Norma A. Provencio (Chair)

Laurent Alpert

Peter G. Leemputte

The Members of the Audit Committee November 2, 2011

PRINCIPAL ACCOUNTANT FEES AND SERVICES

For the fiscal years ended September 30, 2011 and 2010, the following professional services were performed by Deloitte & Touche.

Audit Fees: The aggregate fees billed for the audit of our annual financial statements for the fiscal years ended September 30, 2011 and 2010 and for reviews of the financial statements included in our Quarterly Reports on Form 10-Q were $1,012,000 and $1,106,500, respectively, and included fees for Sarbanes-Oxley Section 404 attestation procedures.

Audit-Related Fees: The aggregate fees billed for audit-related services for the fiscal years ended September 30, 2011 and 2010 were $40,000 and $40,000, respectively. These fees related to assurance and related services performed by Deloitte & Touche that are reasonably related to the performance of the audit or review of our financial statements. These services included: employee benefit and compensation plan audits, audits of certain subsidiaries and consulting on financial accounting/reporting standards.

Tax Fees: The aggregate fees billed for tax services for the fiscal years ended September 30, 2011 and 2010 were $255,932 and $488,923, respectively. These fees related to professional services performed by Deloitte & Touche with respect to tax compsliance, tax advice and tax planning. These services included preparation of original and amended tax returns for various fiscal years for the Company and its consolidated subsidiaries, refund claims, payment planning, tax audit assistance and tax work stemming from Audit-Related items.

All Other Fees: No other fees were paid to Deloitte & Touche in either fiscal year 2011 or fiscal year 2010.

Our Audit Committee annually approves each year s engagement for audit services in advance. Our Audit Committee has also established complementary procedures to require pre-approval of all permitted non-audit services provided by our independent auditors. All non-audit services described above were pre-approved by our Audit Committee.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

This Compensation Discussion and Analysis (CD&A) provides a detailed description of our executive compensation objectives, practices, and programs as well as how our Compensation Committee (the Committee) determines executive compensation under those programs. The CD&A focuses on the compensation of our named executive officers (NEOs) for fiscal year 2011, who were:

- our current President and Chief Executive Officer, Allan P. Merrill;
- our current Executive Vice President and Chief Financial Officer, Robert L. Salomon;
- our other most-highly compensated executive officer, Executive Vice President, General Counsel and Chief Administrative Officer, Kenneth F. Khoury; and
- our former President and Chief Executive Officer, Ian J. McCarthy.

In addition, this CD&A provides a detailed description of major changes in our compensation practices and programs implemented by the Committee during fiscal year 2011 and for fiscal year 2012.

Key Changes to Our Compensation Practices Since the 2011 Say on Pay Vote

A majority of the stockholders who voted on our 2011 Say on Pay proposal voted against the proposal. In response, and as described in further detail below under Response to the 2011 Say on Pay Vote , our Board of Directors and the Committee completed an in-depth analysis of our compensation practices. In addition, management was directed by the Committee to contact several major stockholders in order to better understand the reasons behind the vote outcome. In August 2011, the Committee engaged Pearl Meyer & Partners, LLC (Pearl Meyer) to serve as the Committee s new independent executive compensation consultant and to assist in the Committee s re-evaluation of our compensation practices. Following this re-evaluation, our Board of Directors and the Committee adopted several major changes in our compensation practices for our NEOs. Among the most significant changes are the following:

Past Compensation Practice	Changes to Compensation Practices Since the 2011 Say on Pay Vote	Addressed on Page
Equity Grants Largely Time-Based and Partially At Risk Restricted Stock Stock Options	All Equity At Risk 50% of grants are total shareholder return performance-based shares. 50% of grants are stock options. Grants substantially below target values set forth in NEO employment agreements.	31
Base Salary and Total Compensation at Median or Higher than Peer Group	For fiscal year 2012: Base salary in bottom quartile of peer group;	22, 29

Total compensation between 25th and 50th percentile of peer group;

More closely aligns our current size and recent performance relative to our peer group; and

The Committee will not approve any bonus amount where performance does not meet certain pre-established levels.

18

Table of Contents

Past Compensation Practice	Changes to Compensation Practices Since the 2011 Say on Pay Vote	Addressed on Page
NEOs Employment/Change of Control Agreements	NEOs Employment/Change of Control Agreements	36
Severance was a multiple of base/bonus. Two- or three-year benefits continuation. Modified single trigger change of control provision. Automatic renewal. Tax gross-ups.	Severance is a fixed-payment at lower levels than prior practice. No benefits continuation. Double trigger change of control provision. Fixed term. No tax gross-ups.	
Suspended Executive/Director Stock Ownership Policy	New Stock Ownership Policy	37
No Equity Holding Policy	Equity Holding Policy	37
	Requires holding a significant portion of equity grants until ownership policy compliance achieved. Helps facilitate achieving required stock ownership levels.	
No Compensation Clawback Policy	Compensation Clawback Policy	37
Compensation Consultant MarksonHRC	Compensation Consultant Pearl Meyer & Partners, LLC	18

These changes are discussed further under Response to the 2011 Say on Pay Vote .

Change in Executive Management during Fiscal Year 2011

Effective June 12, 2011, Mr. Merrill was appointed as our President and Chief Executive Officer and elected as a director, and Mr. Salomon was appointed Executive Vice President and Chief Financial Officer. In addition, Mr. Khoury was appointed Chief Administrative Officer in recognition of his assumption of responsibilities for oversight of our human resources, risk management and environmental and safety groups. Mr. Merrill succeeded Mr. McCarthy who left the Company and resigned from our Board of Directors effective June 12, 2011.

Prior to his appointment as President and Chief Executive Officer, Mr. Merrill served as our Executive Vice President and Chief Financial Officer. Prior to his appointment as Executive Vice President and Chief Financial Officer, Mr. Salomon served as our Senior Vice President and Chief Accounting Officer. Mr. Salomon continues to act as our Chief Accounting Officer. Prior to assuming the position of Chief Administrative Officer, Mr. Khoury served, and continues to serve, as our Executive Vice President and General Counsel.

Our Fiscal Year 2011 Compensation Program and Results

For fiscal year 2011, the Committee continued its practice of establishing compensation programs focused on creating incentives for management to achieve certain pre-determined strategic and financial goals as part of our annual and medium-term incentive plans, while using equity grants to align compensation with stockholders interests over the long-term. The following are highlights of the results for our 2011 executive compensation:

a majority of the 2011 cash bonus opportunity for NEOs was not earned because pre-determined financial goals were not achieved;

an average of only 13.5% of target annual incentive plan bonuses were earned; and only 81.6% of target medium-term incentive plan bonuses were earned.

Table of Contents

- base salaries for our NEOs are now in the bottom quartile of our peer group; and
- the number of shares awarded as part of 2011 equity grants to NEOs were approximately 34% lower than equity grants for fiscal year 2010.

Discussion of Our Overall Compensation Philosophy and Objectives

In the past, our core compensation philosophy has been to provide incentive compensation to our management team when they achieve pre-determined financial and non-financial goals and targets that the Committee and our Board of Directors believe are critical to enhancing stockholder value. This compensation philosophy was maintained for our fiscal year 2011 compensation programs. However, as discussed in more detail below under Response to the 2011 Say on Pay Vote , the Committee reviewed our compensation programs and, as part of that process, our core compensation philosophy.

Our core compensation philosophy remains in many ways unchanged with a combination of base salary, annual and medium-term cash incentive compensation, and long-term equity compensation. However, in response to the 2011 Say on Pay vote, the Committee endeavored to increase emphasis on the achievement of absolute and relative performance goals to earn cash incentives and equity awards. In particular, the Committee made significant use of rigorous performance-based vesting, rather than time-based vesting, for restricted stock.

By having compensation programs with features that are balanced between short- and long-term payouts as well as cash and equity awards, the Committee is provided with the tools to:

- align management s interests with those of our stockholders in both the short- and long-term;
- reduce risks that may be associated with compensation that is overly focused on the achievement of short-term objectives; and
- attract, retain and motivate the senior management team.

The Committee also believes that base salary and incentive compensation should be set based on a variety of factors, including Company and executive performance, compensation practices of our peer group, each executive s specific responsibilities and skill sets, the relationship between the compensation levels among members of our management team, as well as our need to attract and retain qualified executives in a challenged industry during a difficult economic environment.

Role of the Committee, Management and Compensation Consultants

The principal responsibilities of the Committee include:

- reviewing and approving competitive compensation programs;
- establishing objectives for our NEOs aligned with the Company s business and financial strategy as well as stockholder interests;
- evaluating performance of our NEOs in light of those objectives; and
- based on this evaluation, determining and approving the compensation level for our Chief Executive Officer (with input from our Non-Executive Chairman) and for other executive officers, with our Chief Executive Officer s input.

During fiscal year 2011, the Committee relied heavily on discussions with key members of our management team to ensure that our operating and financial strategies and goals formed the basis for compensation plans that would create incentives for management to effectively execute those strategies and achieve those goals. Specifically, in designing the compensation program for fiscal year 2011, the Committee received significant input from our Non-Executive Chairman and Mr. McCarthy, our then current Chief Executive Officer. Mr. Merrill, our then current Chief Financial Officer, Mr. Khoury, our General Counsel, and the former Senior Vice President for Human Resources were also resources for the Committee. However, Mr. McCarthy and our Non-Executive Chairman played the largest roles in recommending the design of the fiscal year 2011 program.

Mr. Merrill, our current Chief Executive Officer, reviewed the actual performance of Messrs. Salomon and Khoury for fiscal year 2011, and made recommendations to the Committee based on his review. In addition, our Non-Executive Chairman prepared and presented an assessment of Mr. Merrill s performance to the Committee. Mr. Merrill was present for the Committee s deliberations related to the compensation of the other NEOs and his other direct reports, but not for the Committee s discussions related to his own compensation.

For fiscal year 2011, the Committee engaged MarksonHRC to provide executive compensation advice including general executive compensation consulting services, compensation plan design services and compensation benchmarking services. In addition, MarksonHRC was engaged to review and provide advice regarding our compensation disclosures.

As previously noted under Executive Summary , in August 2011 the Committee retained Pearl Meyer to provide advice regarding compensation plan design, compensation levels, benchmarking data and advice with regard to compensation disclosures for fiscal year 2012. Pearl Meyer is independent of management and under the terms of its agreement with the Committee, Pearl Meyer will provide executive compensation services only to the Committee. Pearl Meyer will not provide any other services to the Company.

Elements of Fiscal Year 2011 Executive Compensation

The discussion that follows summarizes each element of our compensation program for our NEOs for fiscal year 2011 and the rationale for compensation decisions made during the 2011 fiscal year.

For fiscal year 2011, the Committee used its judgment, experience and benchmark data from peer companies and companies in other industries to establish the overall level and mix of compensation components for our NEOs. As part of the process of determining fiscal year 2011 targets for NEO incentive compensation, the Committee reviewed the fiscal year 2010 compensation targets used by the 2011 Peer Group (as defined below under Benchmarking Peer Groups for Fiscal Years 2011 and 2012). While the Committee believes information regarding pay practices at other publicly held homebuilders is useful in determining whether our executive compensation practices are reasonable, in the past it has not and, as noted above, for fiscal year 2011 it did not establish compensation levels based solely on benchmarking industry practices.

The table below summarizes, as a percentage of base salary, the total target incentive compensation opportunity for our NEOs for fiscal year 2011, as well as the incentive compensation opportunity available for each component of our compensation program.

Target Incentive Compensation Opportunity for Fiscal Year 2011 as % of Base Salary

		Target Opportunity Available from		
	Total Target Incentive Compensation Opportunity	**Short-Term Cash Incentive Compensation**	**Medium-Term Cash Incentive Plan**	**Long-Term Equity Incentive Compensation**
Mr. Merrill, CEO(1)	258.3%	100.0%	58.3%	100.0%
Mr. Salomon, CFO(2)	192.4%	83.7%	33.7%	75.0%
Mr. Khoury, EVP, General Counsel	250.0%	100.0%	50.0%	100.0%
Mr. McCarthy, Former CEO	350.0%	100.0%	75.0%	175.0%

21

Table of Contents

(1) Mr. Merrill s medium-term incentive plan opportunity was prorated at 50% of his base salary for the first nine months of fiscal year 2011 and 75% of his new base salary for last three months of fiscal year 2011 to reflect his new position as Chief Executive Officer in the last quarter.

(2) Mr. Salomon s short-term incentive plan opportunity was prorated at 75% of his base salary for the first nine months of fiscal year 2011 and 100% of base salary for last three months of fiscal year 2011 to reflect his new position as Chief Financial Officer. For the same reason, Mr. Salomon s medium-term incentive plan opportunity was prorated at 25% of his base salary for the first nine months of fiscal year 2011 and 50% of his base salary for last three months of fiscal year 2011.

Our NEOs earned substantially less than the cash incentive compensation opportunity available to them for fiscal year 2011. The chart below shows the target cash incentive opportunity for all NEOs as a group, excluding Mr. McCarthy, versus actual amounts earned for the variable components of fiscal year 2011 cash compensation (i.e., excluding base salary).

Comparison of NEOs 2011 Variable Cash Compensation: Target Opportunity vs. Actual (1)

(1) See the column entitled Non-Equity Incentive Compensation in the Summary Compensation Table on page 39 for the total cash incentive compensation earned by each of our NEOs during fiscal year 2011.

Base Salary

In connection with the changes in executive management and promotions previously described, our Board of Directors set the base salary for Mr. Merrill at $900,000, and the base salaries for Messrs. Salomon and Khoury at $450,000. Benchmarking data reviewed by the Committee indicates that the base salaries for all NEOs are in the bottom quartile of the 2012 Peer Group (as defined below under Benchmarking Peer Groups for Fiscal Years 2011 and 2012).

Although the Committee typically reviews base salaries for NEOs annually, prior to these promotion-related salary increases, the annual base salaries for Messrs. Merrill and Khoury had not increased since they joined the Company in 2007 and 2009, respectively. In addition, while Mr. Salomon received a base salary increase of $12,000 in January 2011, prior to this increase, his base salary had not increased since joining the Company in 2008.

Table of Contents

Short-Term Incentive Compensation

In 2006, the Committee established the Beazer Homes Employee Bonus Plan (the Bonus Plan) for certain employees, including our NEOs. Awards under the Bonus Plan may be granted to NEOs based on the achievement of certain financial and non-financial criteria established in advance by the Committee. At the start of each fiscal year, the Committee, our Non-Executive Chairman and our Chief Executive Officer recommend performance objectives, and subsequently review our executives performance against those objectives. While the Committee may also make awards under the Bonus Plan based on outstanding achievements, without reference to any specific performance objectives, this discretionary authority was not used for fiscal year 2011 compensation. Payments under the Bonus Plan do not qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code and are not intended to do so. The Bonus Plan was the only annual cash incentive program employed by the Committee for our NEOs in fiscal year 2011 (the 2011 Bonus Plan).

Executive compensation for fiscal year 2011 was focused on:

- increasing earnings before interest and taxes (EBIT) (75% of the 2011 Bonus Plan);
- taking actions to facilitate a return to profitability (12.5% of the 2011 Bonus Plan);
- and the accomplishment of certain operational goals set for each NEO established in advance by the Committee (12.5% of the 2011 Bonus Plan).

In addition, the 2011 Bonus Plan allows for downward adjustments to earned bonuses for failure to maintain certain safety, quality, customer satisfaction and compliance goals.

Results for EBIT Component of the 2011 Bonus Plan

The EBIT component of the 2011 Bonus Plan constituted 75% of the overall annual bonus opportunity, and would only be achieved if the Company earned an incremental EBIT of $10 million over fiscal year 2010 EBIT. For fiscal year 2011, the Company did not achieve this incremental EBIT target, and accordingly, NEOs received no bonus for this component of the 2011 Bonus Plan.

Results for Return to Profitability Component of the 2011 Bonus Plan

The return to profitability component of the 2011 Bonus Plan constituted 12.5% of the overall annual bonus opportunity. The Committee recognized that the difficult economic environment of the last several years had reduced sales activity as well as the Company s geographic footprint. This component of the 2011 Bonus Plan was established to incent management to take actions in fiscal year 2011 that would promote profitability in future years, including actions to focus on new internal or external sources of revenue through acquisitions, new business startups or entering new markets, and actions to structurally reduce costs. For fiscal year 2011, a threshold award of one half of the 12.5% component would be earned upon reducing operational costs that, on an annual basis, would contribute $20.6 million to EBIT and the full 12.5% component would be earned for reducing operational costs having an annualized impact of $41.5 million on EBIT.

Table of Contents

During fiscal year 2011, the Company reduced overhead costs that will provide a long-term benefit to the Company. These cost savings are expected to contribute $21.0 million annually to EBIT, and as a result, NEOs only earned a threshold award. Based on this threshold performance, Messrs. Merrill, Salomon and Khoury received $42,188, $16,945 and $25,781, respectively, for this component of the 2011 Bonus Plan. The table below sets forth how each of these awards was calculated.

	Mr. Merrill	Mr. Salomon	Mr. Khoury
Return to Profitability			
% of 2011 Bonus Plan (at target) x	12.5% x	12.5% x	12.5% x
Fraction Applied (because target not achieved) x	1/2 x	1/2 x	1/2 x
NEO s Target Multiplier (1) x	100% x	83.7% x	100% x
Base Salary (2)	$675,000	$324,000	$412,500
$ Value Earned and Paid for Component	***$42,188***	***$16,945***	***$25,781***

(1) Mr. Salomon s target multiplier was prorated at 75% of his base salary for the first nine months of fiscal year 2011 and 100% of base salary for last three months of fiscal year 2011 to reflect his new position as Chief Financial Officer. The target multiplier for short-term incentive compensation for Messrs. Merrill and Khoury was not affected.

(2) Reflects proration of each NEO s base salary for the last three months of fiscal year 2011.

Results for Operational Goal Component of the 2011 Bonus Plan

The operational goal component of the 2011 Bonus Plan constituted 12.5% of the overall annual bonus opportunity. This component could only be achieved when an NEO attained certain specifically tailored, pre-established functional performance goals. Some of the functional performance awards were scaled based on the degree to which a goal may have been attained (e.g., degree to which certain expenses may have been reduced, new initiatives progressed, etc.).

Mr. Merrill, our then Chief Financial Officer, had several functional goals for fiscal year 2011, which included start-up of our pre-owned rental homes business and purchasing certain target levels of pre-owned homes as well as achieving functional improvements and cost savings in the information technology and treasury functions. Mr. Merrill achieved 50.0% of these goals.

For fiscal year 2011, functional goals for Mr. Salomon, our then Senior Vice President and Chief Accounting Officer, included streamlining the quarterly financial closing process and payroll function as well as implementing XBRL financial reporting, as required by the SEC. Mr. Salomon achieved 74.9% of these goals.

Mr. Khoury s functional goals for fiscal year 2011 included reducing the overall cost of delivering legal services for the Company, increasing in-house performance of non-litigation matters as well as centralizing retention and management of outside counsel. Mr. Khoury achieved 60.0% of these goals.

Table of Contents

The chart below illustrates the calculation for each NEO s award for achievement of fiscal year 2011 operational goals:

	Mr. Merrill	Mr. Salomon	Mr. Khoury
Operational Goals			
% of 2011 Bonus Plan x	12.5% x	12.5% x	12.5% x
% Goal Achieved x	50.0% x	74.9% x	60.0% x
NEO s Target Multiplier (1) x	100% x	83.7% x	100% x
Base Salary (2)	$675,000	$324,000	$412,500
$ Value Earned and Paid for Component	***$42,188***	***$25,393***	***$30,938***

(1) Mr. Salomon s target multiplier was prorated at 75% of his base salary for the first nine months of fiscal year 2011 and 100% of base salary for last three months of fiscal year 2011 to reflect his new position as Chief Financial Officer. The target multiplier for short-term incentive compensation for Messrs. Merrill and Khoury was not affected.

(2) Reflects proration of each NEO s base salary for the last three months of fiscal year 2011.

The chart below shows the total awards for the 2011 Bonus Plan as well as the portion of the total payment attributable to each individual component of the 2011 Bonus Plan:

Summary of Fiscal Year 2011 Bonus Plan Awards

	Incremental EBIT (up to 75% of Target Bonus)		Return to Profitability (up to 12.5% of Target Bonus)		Operational Goals (up to 12.5% of Target Bonus)		Total Awards for 2011 Bonus Plan (up to 100% of Target Bonus)	
	$ Value	% of Target Bonus	$ Value	% of Target Bonus	$ Value	% of Target Bonus	$ Value	% of Target Bonus
Mr. Merrill	$0	0.0%	$42,188	6.3%	$ 42,188	6.3%	$84,376	12.5%
Mr. Salomon	$0	0.0%	$16,945	6.3%	$ 25,393	9.3%	$42,338	15.6%
Mr. Khoury	$0	0.0%	$25,781	6.3%	$ 30,938	7.5%	$56,719	13.8%

Medium-Term Incentive Plan

The Medium-Term Incentive Plan (the MT Plan) was designed to incent management to make efficient use of capital in the current distressed economic environment by making decisions and implementing strategies to improve EBIT after taking into account the Company s cost of capital based on two cumulative years of performance relative to a peer group. Although the MT Plan increased cash incentive compensation as a percent of base salary for fiscal year 2011, overall compensation levels as a percent of base salary remained constant or decreased because of the substantial reduction in fiscal year 2011 equity grants.

Performance targets for the MT Plan are based on a comparison of the improvement in the Company s EBIT, net of a charge representing the Company s cost of capital, as a percentage of revenue, against the performance of the MT Peer Group (as defined below under Benchmarking Peer Groups for Fiscal Years 2011 and 2012) over a two-year measurement period (Standardized Economic Profit Added or SEPA). Awards under the MT Plan are based on a percentage of a bonus target , which is a percentage of an NEO s base salary. For Messrs. Merrill, Salomon and Khoury, their respective bonus targets for the MT Plan were 58.3%, 33.7% and 50.0% of their respective 2011 base salaries, as prorated for salary adjustments in the last quarter of fiscal year 2011.

Under the MT Plan, a threshold award is earned if the Company s SEPA performance relative to its peer group is at the 33rd percentile. Above that threshold, performance is rewarded based on relative percentage of

Table of Contents

peer group SEPA performance with the following benchmarks: for an award that is 75% of the bonus target, performance would have to be at the median of the MT Peer Group, for an award that is 100% of the bonus target (target award), performance would have to be at the 67^{th} percentile of the MT Peer Group, and for an award that is 150% of the bonus target (maximum award), the Company s SEPA performance would have to be at the 100^{th} percentile of the MT Peer Group (i.e., better than all other companies in the MT Peer Group). Straight line interpolation applies between each percentile target and related bonus awards. The chart below illustrates the relative relationship between percentile rank in the MT Peer Group versus the percent of bonus target awarded.

The Committee adopted a transition MT Plan for fiscal year 2011. Under this transition plan, an award could be earned for fiscal year 2011 based on SEPA results against the MT Peer Group using the average of the Company s fiscal year 2010 and 2011 performance together with the threshold, target and maximum bonus targets described above. Relative SEPA performance during the performance period (2010 and 2011 fiscal years) was at the 54.5^{th} percentile of the MT Peer Group and, accordingly, 81.6% of target was achieved. This resulted in payments to Messrs. Merrill, Salomon and Khoury of $321,369, $89,065 and $168,336, respectively.

The table below shows how each NEO s fiscal year 2011 MT Plan bonus payment was calculated.

	Mr. Merrill	Mr. Salomon	Mr. Khoury
MT Plan			
% of Target Achieved x	81.6% x	81.6% x	81.6% x
NEO s Target Multiplier (1) x	58.3% x	33.7% x	50.0% x
Base Salary (2)	$675,000	$324,000	$412,500
$ Value Earned and Paid for MT Plan	***$321,369***	***$89,065***	***$168,336***

(1) Mr. Merrill s target multiplier was prorated at 50% of his base salary for the first nine months of fiscal year 2011 and 75% of his new base salary for last three months of fiscal year 2011 to reflect his new position as Chief Executive Officer. Mr. Salomon s target multiplier was prorated at 25% of his base salary for the first

Table of Contents

nine months of fiscal year 2011 and 50% of base salary for last three months of fiscal year 2011 to reflect his new position as Chief Financial Officer. Mr. Khoury s target multiplier for the MT Plan did not change.

(2) Reflects proration of each NEO s base salary for the last three months of fiscal year 2011.

Long-Term Incentive Compensation

For fiscal year 2011, the Committee approved equity awards for our NEOs comprised of an equal number of restricted shares and stock options. The restricted stock awards vest after three years. The stock option awards vest in one-third increments on each anniversary of the grant date over a three-year period. The value of these long-term equity awards is lower than awards in prior years because the Committee did not want the addition of the incentive opportunities under the MT Plan to result in an overall increase in compensation levels and also because of the difficult economic environment.

In making determinations related to equity award amounts and vesting periods for fiscal year 2011, the Committee considered long-term equity award practices of the 2011 Peer Group as well as U.S.-based manufacturing companies that are comparable in size to us**.** Fiscal year 2011 grants were made to incent future performance that would increase the value of our stock over a long-term horizon, provide a significant retention incentive for management and in recognition of achievements during the 2010 fiscal year.

The chart below sets forth the Committee s reasoning for providing each NEO his respective equity award grant, the restricted stock and stock options granted to each NEO, as well as the percentage change in the number of shares granted in 2011 versus 2010.

		2011 Equity Award Grants		**Percent Decrease in Number of Shares Granted in 2011 vs. 2010**
	Committee Considerations for Granting Awards	**Restricted Stock**	**Stock Options**	
Mr. Merrill	Continuing efforts to preserve liquidity, increase net worth and stockholder equity and restructure indebtedness; and	87,749	87,749	-50.8%
	To incent implementation of strategies to return the Company to profitability.			
Mr. Salomon	Continuing to drive a disciplined approach to financial reporting and compliance, particularly in light of the Company s resolution of governmental investigations.	29,615	29,615	-0.3%
Mr. Khoury	Contributions in connection with resolution of significant litigation involving the Company;	58,499	58,499	-34.4%
	Providing legal support to the restructuring of the Company s indebtedness;			
	Taking meaningful steps to reduce outside counsel expenses; and			
	Helping to build a strong culture of compliance.			

Mr. McCarthy	To incent the establishment and execution of strategies that would increase the price of our stock over time; and Had not been awarded equity since 2006.	256,000(1)	256,000	-28.2%

Table of Contents

(1) In connection with his separation from the Company, and under the terms of his equity award agreements, a portion of Mr. McCarthy s fiscal year 2011 equity award vested (49,777 shares of restricted stock) while the balance of restricted stock and stock options were forfeited.

See Executive Compensation Grants of Plan-Based Awards for additional information regarding these grants.

Response to the 2011 Say on Pay Vote

At the stockholders meeting held on February 2, 2011, 54% of stockholders voting on our Say on Pay proposal voted against the executive compensation for our NEOs set forth in our 2011 proxy statement. In response, our Board of Directors and the Committee completed an in-depth review of our pay practices. As part of this review, management contacted several major stockholders in order to better understand the reasons behind the votes against the compensation for our NEOs. Following this assessment process, our Board of Directors took the actions described below to change our compensation practices and programs:

- Reevaluated NEO Total Compensation In an effort to more closely align compensation with recent performance and the relative size of the Company against the 2012 Peer Group, established total compensation for our CEO at the 25th percentile of the 2012 Peer Group and between the 25th and 50th percentile of the 2012 Peer Group for other NEOs.

- Increased Emphasis on Performance-Based Equity Compensation Established a 2012 long-term incentive program for NEOs with a significant component being performance-based shares. Key features of the 2012 long-term incentive plan are:

  - Equity grants divided evenly in number between performance-based shares and stock options.

  - In order for performance-based shares to vest, our stock price must achieve *both* an absolute aggressive compound annual growth rate and significant relative total shareholder returns measured against the 2012 Peer Group. See chart below under Elements of Fiscal Year 2012 Executive Compensation Long-Term Incentive Compensation .

  - Performance-based shares only earned if performance targets achieved at the end of a three-year measurement period (i.e., no interim or pro rata vesting or performance snapshot).

  - At the time of grant, equity grant values were significantly below the value each NEO was entitled to receive pursuant his respective employment agreement. These values will only be received if there is significant appreciation of the Company s stock price, in both absolute terms and relative to the 2012 Peer Group.

- Established Aggressive Bonus Plan Targets Established a 2012 annual bonus plan that focuses bonus opportunity on the achievement of aggressive goals related to improvements in earnings before interest, taxes, depreciation and amortization (EBITDA), balance sheet metrics and customer-related metrics. For fiscal year 2012, the Committee will not approve any bonus amount where performance does not meet these pre-established levels.

- Elimination of Tax Gross-Ups and Modified-Single Trigger Change of Control Provisions Terminated existing agreements for NEOs that included tax gross-up provisions and modified-single trigger change of control provisions.

<u>Substantially Reduced Severance Payments and Eliminated Post-Termination Benefits</u> In the new employment agreements with NEOs, set severance payments at levels substantially below those previously used and eliminated post-termination payment of benefits (such as health and welfare benefits).

Elimination of Evergreen Employment Agreements New employment agreements with NEOs have a four-year term that does not automatically renew.

Elimination of Certain Incentive Plans MT Plan to be eliminated following completion of the 2011-2012 performance cycle.

Reinstituted an Executive and Director Stock Ownership Policy Reinstituted an executive and outside director stock ownership policy, which also provides for holding periods for a significant portion of net after-tax shares issued upon vesting of restricted stock or exercised stock options in order to facilitate progress towards meeting stock ownership requirements.

Adoption of a Compensation Clawback Policy Adopted a policy for clawing back compensation of executive officers in select circumstances.

New Direction for Compensation in 2012 and Beyond Retained new compensation consultants with in-depth knowledge of current compensation best practices and peer group practices.

Elements of Fiscal Year 2012 Executive Compensation

The Company s fiscal year 2012 compensation program for our NEOs consists of base salary, a short-term incentive bonus plan (the 2012 Bonus Plan), the last performance cycle of the MT Plan and long-term incentives in the form of equity grants. In light of the continued challenges presented by the housing market, the Committee focused its design of fiscal year 2012 incentive compensation plans on providing incentives:

to generate positive EBITDA;

to achieve further improvements in capital structure; and

to continue emphasis on customer satisfaction, quality building and safety.

In determining overall compensation for our NEOs, the Committee reviewed benchmarking for the 2012 Peer Group (as defined below under Benchmarking Peer Groups for Fiscal Years 2011 and 2012). Benchmarking against a peer group was only one aspect of the process used to establish fiscal year 2012 compensation, as the Committee also relied on its experience and judgment as well as the Company s financial structure and recent performance and the current economic environment to set overall compensation. However, based on competitive data of the 2012 Peer Group, the Committee believes that fiscal year 2012 overall compensation for our NEOs is below the median of the 2012 Peer Group.

Base Salary

Mr. Merrill s employment agreement provides for a base salary of $900,000. The agreements for Messrs. Salomon and Khoury each provides for a base salary of $450,000. Based on competitive data, the Committee believes the base salaries of all NEOs are in the bottom quartile of the 2012 Peer Group. The Committee believes this is appropriate based on our current size and recent performance.

Short-Term Incentive Compensation

In light of the continued depressed conditions in the residential housing industry and the challenges presented by the Company s capital structure, the Committee focused on establishing an annual incentive program for fiscal year 2012 that emphasizes the generation of positive EBITDA and to a lesser extent achievement of certain other financial and non-financial targets (the 2012 Bonus Plan).

Table of Contents

Specifically, under the 2012 Bonus Plan, 75% of the overall annual bonus opportunity will be based on achievement of threshold, target and maximum EBITDA of breakeven, $15 million and $25 million, respectively. Achieving breakeven EBITDA (threshold) for fiscal year 2012 would translate to approximately a $25 million year-over-year improvement in the Company s EBITDA.

The remaining 25% of the annual bonus opportunity will be earned based on (i) balance sheet-related metrics, which include reducing interest expense, improving the flexibility and duration of the Company s capital structure and/or other actions that increase earnings per share (15%) and (ii) customer-related metrics, including those related to customer experience as well as safety and quality performance (10%). However, as stated above, even if performance for these two components is achieved, no payment will be made unless threshold EBITDA is achieved. To the extent that the balance sheet- and customer-related metrics are met, the target, threshold and maximum percentage of base salary for these components of the 2012 Bonus Plan will be governed by the EBITDA level achieved under the EBITDA component. The chart below shows the threshold, target and maximum 2012 Bonus Plan opportunities for each NEO assuming achievement of EBITDA as well as balance sheet- and customer-related metrics.

2012 Bonus Plan Award Opportunities % of Base Salary

	Maximummm Threshold	Maximummm Target	Maximummm Maximum
Mr. Merrill	50%	100%	150%
Mr. Salomon	45%	90%	135%
Mr. Khoury	45%	90%	135%

As described below under MT Plan , any award an NEO receives under the 2011-2012 MT Plan will count against the maximum opportunity available for NEOs under the 2012 Bonus Plan. This is to ensure that continuance of the MT Plan through its full two-year term does not increase the overall cash compensation levels for our NEOs beyond the maximum opportunity under the 2012 Bonus Plan.

The table below demonstrates how a 2012 Bonus Plan award would be calculated for each of the NEOs assuming achievement of target EBITDA, balance sheet-metrics and customer-related metrics. This calculation is for illustrative purposes only.

	Mr. Merrill	**Mr. Salomon**	**Mr. Khoury**
Base Salary	$900,000	$450,000	$450,000
EBITDA Component			
% of 2012 Bonus Plan Opportunity x	75% x	75% x	75% x
Target Multiplier x Base Salary	100% x $900,000	90% x $450,000	90% x $450,000
$ Value Earned for Component	***$675,000***	***$303,750***	***$303,750***
Balance Sheet-Related Component			
% of 2012 Bonus Plan Opportunity x	15% x	15% x	15% x
Target Multiplier x Base Salary	100% x $900,000	90% x $450,000	90% x $450,000
$ Value Earned for Component	***$135,000***	***$60,750***	***$60,750***
Customer-Related Component			
% of 2012 Bonus Plan Opportunity x	10% x	10% x	10% x
Target Multiplier x Base Salary	100% x $900,000	90% x $450,000	90% x $450,000
$ Value Earned for Component	***$90,000***	***$40,500***	***$40,500***
Total Hypothetical 2012 Bonus Plan Award Based on Target Performance	**$900,000**	**$405,000**	**$405,000**

All payments are subject to the Committee s right, in its discretion, to reduce awards even where performance targets are achieved. The Company believes that the precise strategies and target performance under the balance sheet and customer-related components represent confidential strategic information, the disclosure of which, in advance of executing such strategies, would not be in the best interests of our stockholders. However, the balance-sheet component of the 2012 Bonus Plan generally relates to improving the flexibility and duration of the Company s capital structure and/or reducing interest expense.

MT Plan

As described above under Elements of Fiscal Year 2011 Executive Compensation Medium-Term Incentive Plan , the MT Plan was designed to reward management for making efficient use of capital in the current distressed economic environment based on a comparison over a two-year measurement period of improvement in the Company s SEPA against the SEPA performance of the MT Peer Group over the same period of time. In light of the new compensation programs adopted for fiscal year 2012, the Committee carefully considered how awards under the 2011-2012 MT Plan should be treated so as not to increase the overall cash compensation opportunity for our NEOs. For this reason, any award earned under the MT Plan will be counted against the maximum opportunity available for an NEO under the 2012 Bonus Plan. In addition, the Committee made the decision to terminate the MT Plan after the 2011-2012 performance period. This decision was based on the Committee s desire to shift to an increased level of longer-term incentive compensation to further align the long-term interests of our NEOs with the long-term interests of our stockholders, while simultaneously removing medium-term incentive compensation.

As previously noted, awards under the MT Plan are based on a percentage of a bonus target , which is a percentage of an NEO s base salary. For Messrs. Merrill, Salomon and Khoury, their respective bonus targets for the MT Plan in fiscal year 2012 are 75%, 50% and 50% of base salary.

Under the MT Plan, a threshold award is earned if the Company s SEPA performance relative to the MT Peer Group is at the 33rd percentile. Above that threshold, performance is rewarded based on relative percentage of peer group SEPA performance with the following benchmarks: for an award that is 75% of the bonus target, performance would have to be at the median of the MT Peer Group, for an award that is 100% of the bonus target (target award), performance would have to be at the 67th percentile of the MT Peer Group, and for an award that is 150% of the bonus target (maximum award), the Company s SEPA performance would have to be at the 100th percentile of the MT Peer Group (i.e., better than all other companies in the MT Peer Group). For fiscal year 2012, the MT Peer Group is the same as it was during fiscal year 2011. See page 26 under Elements of Fiscal Year 2011 Executive Compensation Medium-Term Incentive Plan for tables and charts showing how these awards are calculated.

Long-Term Incentive Compensation

The long-term incentive compensation plan design for fiscal year 2012 consists of awards in an equal number of performance-based shares (Performance Shares) and stock options (Stock Options). The employment agreements for each of our current NEOs establish a target grant value of long-term incentive awards that each is entitled to receive annually as a percentage of base salary, subject to negative or positive Committee discretion.

However, in light of (i) our lower current stock price, (ii) the limited number of shares remaining in our 2010 Equity Incentive Plan and (iii) the Committee s desire to maintain sufficient shares under the 2010 Equity Incentive Plan to support two more years of equity grants, the Committee determined to issue equity grants at a substantial discount in value to the target levels set forth in each NEO s employment agreement. The table below sets forth the target value of long-term incentive plan grants provided in each NEO s employment agreement as well as the number and value of Stock Options and Performance Shares that were actually granted to each NEO for fiscal year 2012 long-term incentive compensation.

		Target Long-Term Incentive (per NEO Employment Agreement)		Actual Shares Granted				
	Base Salary	as % of Base Salary	as $ Value	Stock Options (1)	Performance Shares (2)	Total Number of Shares	Value of Actual Stock Options and Performance Shares Granted (1)(2)	Value of Actual Grant as % of the Target Value under Employment Agreements
Mr. Merrill	$900,000	250%	$2,250,000	291,320	291,320	582,640	**$579,727**	**26%**
Mr. Salomon	$450,000	175%	$787,500	101,960	101,960	203,920	**$202,900**	**26%**
Mr. Khoury	$450,000	175%	$787,500	101,960	101,960	203,920	**$202,900**	**26%**

(1) The Black-Scholes option value applied to the Stock Options is $0.86 per share (40% of the grant date stock price).

(2) Performance Shares have a grant date fair value of $1.13 per share (52% of the grant date stock price).

As indicated in the table above, the estimated value of grants to NEOs under the 2012 long-term incentive compensation plan were approximately 26% of the long-term incentive plan target value to which each NEO was entitled pursuant to their respective employment agreement. This discount is calculated by comparing the target value to the actual value of shares granted, where the actual value is (i) the number of Stock Options multiplied by a grant date fair value of $0.86 per Stock Option *plus* (ii) the number of Performance Shares multiplied by a grant date fair value of $1.13 per Performance Share.

Stock Options

Stock Options vest ratably over a three-year period beginning with the first anniversary of the grant date and have an eight-year term.

Performance Shares

Performance Shares are structured to require both absolute and relative performance. Specifically, the Performance Shares require a significant compound annual growth rate (CAGR) for our common stock price and total shareholder return (TSR) that compares favorably against the 2012 Peer Group measured at the end of a three-year performance period. The matrix below shows the percentage of granted Performance Shares that will be earned at various combinations of (i) TSR versus the 2012 Peer Group and (ii) the Company s absolute stock price at the end of the three-year performance period.

Table of Contents

Vesting of Performance Shares after 3-Year Performance Period

(as % of Granted Performance Shares)

The matrix above illustrates that no Performance Shares will be earned if our stock price does not increase after the Performance Share grant date or if our TSR after three years is in the bottom three of the 2012 Peer Group. Furthermore, the targeted awards of Performance Shares will only be earned if strong absolute and relative performance is achieved. In addition, to further the Committee s previously noted desire to preserve shares under the Company s 2010 Equity Incentive Plan, any award earned that exceeds target will not be paid in additional shares but instead will be paid in cash.

The Company s common stock price for awards of Performance Shares are to be based on our average closing price on the NYSE for the 20 trading days immediately preceding (i) the effective date of the grant and (ii) the third anniversary of the effective date of grant. The effective date of the grant was November 16, 2011 and the average closing price over the prior 20 trading days was $2.10.

The matrices below show the hypothetical value of the Performance Shares for our CEO and other two NEOs on the third anniversary of the grant date provided that the indicated levels of absolute and relative performance are achieved. These matrices are for illustrative purposes only.

Table of Contents